UK election: *Jitters inside the Tory camp* **Pages 9-11**

French stock exchanges: *More equity and investment* **Page 23**

Electric cars: *Can they stay the distance?* **Page 18**

French regional elections: *A stern message for Mr Mitterrand* **Page 3**

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Tuesday March 24 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Turkey pledges peace as Kurds vow to fight on

Turkish prime minister Süleyman Demirel promised a peaceful solution to violent unrest in south-eastern Turkey in spite of a third day of fighting in the area and a vow by Kurdish groups to launch a campaign of civil insurrection. More than 60 people have been killed in the last three days. Page 6

South Africa accord likely: The South African government expects to have the first phase of a multiracial interim government in place by next month. The African National Congress, initially hostile to multi-party transitional councils, later said it believed agreement could be reached. Page 22

Japan's money supply slips: Bank of Japan reported that money supply growth in February fell to a record low for the third month running as a result of weak credit demand from the corporate sector. Page 22

Libya proposal on suspects: Libya said it planned to deliver two Libyans accused of blowing up an American airliner over Scotland to the Arab League, but Britain said it wanted them handed over directly for trial. Page 6

Merrill Lynch, US securities house which last year earned record profits of $696m, has awarded chairman William Schreyer a 1991 pay package of salary and stock options worth a current indicated value of $16.8m. Page 28

Fight in prospect: Hawaiian sumo wrestler Konishiki (left), is due for promotion to the sport's top rank. But there are suggestions in Japan that he lacks the "spirit" for such a position. Prominent US coverage of the wrestler's career and the personal interest of President George Bush make Japanese officials fear that the US Congress will soon enter the ring. Page 22

Perrier battle ends: The battle for control of Perrier mineral water, well-known French brand name, ended when Swiss food group Nestlé and its allies agreed terms with their main opponents, the Agnelli family of Italy. Page 23

Ukraine may cut Russian links: Ukraine's parliament meets in closed session today to consider an economic programme that would cut links with Russia. Page 2

Air crash kills 27: A Fokker 28 aircraft caught fire during take-off at New York's LaGuardia airport and skidded into Flushing Bay. Police said 27 people died and 24 were hurt.

Miners die in union dispute: Thirteen people died in fighting at South Africa's Bafokeng North platinum mine in the nominally independent black homeland of Bophuthatswana. Members of South Africa's National Union of Mineworkers clashed with non-union workers.

Shooting restarts: Renewed shooting broke out in Bosnia-Hercegovina and Serbs and Croats fought sporadic artillery duels in Croatia ahead of the deployment of United Nations peacekeeping troops in Yugoslavia. Page 4

Iraq destroys Scuds: A United Nations arms expert said in Baghdad that inspectors had confirmed Iraq had destroyed Scud ballistic missiles which it declared to the UN only last week.

Compagnie Générale des Eaux, French water company, is to modernise St Petersburg's leaking water supply in a joint venture with the city authorities. Page 8

Sikorsky, US helicopter maker and part of the United Technologies group, is studying with Mitsubishi Heavy Industries of Japan the development of a 19-seat civil helicopter. Page 8

Bayerische Vereinsbank, Bavarian-based bank, said partial operating profits of its parent company rose by 10 per cent in the first two months of this year. The group reported a 21 per cent increase to DM1.2bn ($720m) in partial operating profits for the whole of last year. Page 27

Portuguese figures improve: Portugal's trade and inflation performance is improving more quickly than previously forecast, according to central bank governor Jose Alberto Tavares Moreira. Page 4

Time Warner, US media and entertainment group, plans an autumn launch of the first round-the-clock cable channel specifically focused on news in New York City. Page 26

Caterpillar, world's largest earthmoving equipment maker, and Mitsubishi Heavy Industries of Tokyo, are to operate a joint venture from July to produce lift trucks. Page 26

US CLOSING RATES		
Federal Funds:	3 13/16%	
3-mo Treas Bills: Yield	4.168%	
Long Bond	99 3/8	
Yield	8.029%	
LONDON MONEY		
3-mo Interbank	10 3/4%	(10 11/16%)
Little long gilt future: Jun	94 1/4	(94 7/32)
STOCK INDICES		
FT-SE 100	2441.0	(2546.6)
FT Ordinary	1910.8	(1916.5)
FT-All Share	1173.47	(1181.44)
FT-A World Index	N/A	(138.71)
Dow Jones Ind Ave	3,272.14	(3276.39)
S&P Composite	409.91	(411.30)
Nikkei	20239.69	(20185.09)
NORTH SEA OIL (Argus)		
Brent 15-day	$17.725	(17.775)
Gold		
New York Comex	$353.1	(353.3)
London	$339.00	(339.05)

STERLING		
New York:		
$	1.719	(1.71115)
London:		
$	1.715	(1.7065)
DM	2.865	(2.86)
FFr	9.71	(9.7325)
SFr	2.605	(2.6025)
Y	229.44	(228.75)
£ Index	90.0	(89.8)
DOLLAR		
New York:		
DM	1.66885	(1.67075)
FFr	5.655	(5.67)
SFr	1.519	1.51485
Y	133.425	133.575
London:		
DM	1.67	(1.6765)
FFr	5.6625	(5.7025)
SFr	1.5185	(1.526)
Y	133.7	(134.05)
$ Index	65.3	(65.9)
Tokyo close Y 134.2		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.60	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.00	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es180		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Canada may come to the rescue of Olympia & York

By Bernard Simon in Toronto and Robert Peston in London

THE CANADIAN government is considering measures to help Olympia & York, the world's biggest property developer, overcome its financial difficulties.

A spokesman for Mr Donald Mazankowski, the Canadian finance minister, said O&Y, *developer of Canary Wharf,* Europe's biggest new office development in the London Docklands, is "talking to us about certain possibilities" and that agreement on a plan of action is likely by the end of the week.

Authorities in the UK and the US are understood to have been told that the Canadian government is likely to help O&Y, which is controlled by Toronto's Reichmann family, dispose of assets in Canada.

Under this plan, the Canadian government would act as a "guarantor" in asset sales by O&Y, according to a UK government official.

If banks or other buyers were not able to raise sufficient funds to buy O&Y's properties, the Canadian government could provide a portion of the required finance in the form of bridging loans to facilitate these *deals.*

It is believed that the Canadian government may help in the disposal of the Exchange Tower, a Toronto office block, which is being sold to banks for around $300m.

The US Federal Reserve and the Bank of England have been kept informed of O&Y's discussions with the Canadian government. There is no suggestion that the UK and US governments will participate in attempts to help the company.

Late on Sunday night, O&Y admitted that it has been suffering from a "liquidity crisis", or shortage of cash. At the end of last week, it persuaded banks to provide it with more than £100m ($173m) in emergency short-term loans, to meet requirements including the costs of continuing to build at Canary Wharf.

A senior Canadian official said that the Canadian authorities have already played an important role in encouraging banks to provide short term loans designed to keep O&Y trading while discussions take place on a more thorough reorganisation of its debt, estimated at considerably more than C$10bn ($8.4bn) in total. "It's a question of giving people time to make intelligent decisions," he said.

The Canadian authorities are concerned that any "precipitate" action by O&Y's lenders has the *potential to disrupt financial* markets, he added.

O&Y is among Canada's biggest companies. It has around 70 banks led by Canadian Imperial Bank of Commerce. Other Canadian banks with big loans to it are Royal Bank of Canada, Bank of Montreal and Bank of Nova Scotia. Bank shares fell yesterday on the Toronto stock exchange.

In the UK, Barclays and Lloyds each have loans to it of more than £50m, most of it lent for the construction of Canary Wharf.

The pressure on O&Y is also reflected in its request to a number of Canadian securities dealers in recent days to allow it extra time to make repayments on maturing commercial paper, or debt securities used to raise short-term funds.

Securities industry sources said O&Y failed to make scheduled payments on commercial paper last Thursday to Wood Gundy, a CIBC subsidiary, and Richardson Greenshields. Wood Gundy and Richardson are understood to have agreed to delay the repayments.

An O&Y spokesman said about C$380m of the company's two commercial paper programmes, totalling C$800m, is still outstanding. But O&Y believes it has secured agreement from banks for an infusion of funds to finance redemption of the paper.

Observer, Page 21
World stocks, back page, Section II

Tony Andrews

Neil Kinnock, leader of Britain's opposition Labour party (centre), on a visit to Redditch in the English Midlands yesterday. Major's strategy shake-up, Page 22

Crisis of uncertainty for French Socialists

By Ian Davidson in Paris

THE CRUSHING defeat inflicted on the French ruling Socialist party in Sunday's regional elections has plunged the country *into a crisis of political uncertainty,* which could yet turn into a crisis of political instability.

The 18.3 per cent scored by the Socialists was their worst electoral performance in the 23-year history of the party. It has probably damaged beyond repair the credibility of the government led by Mrs Edith Cresson.

Many commentators have predicted that President François Mitterrand would look for a prime minister to replace Mrs Cresson, whose unpopularity continues to break all records. But it is not clear if there is a candidate who would be likely to reverse the tide of popular opinion.

The most important single factor influencing Sunday's vote, according to an exit poll conducted for Le Figaro newspaper, was indignation at the scandals over illicit party finances in which the Socialist party has been heavily implicated. This factor, cited by 41 per cent, far outweighed the issues of high unemployment (24 per cent), the environment (21 per cent), or immigration (15 per cent).

The humiliating disavowal of the Socialist party gave no comfort to the traditional conservative parties. They saw their vote eroded to 33 per cent compared with nearly 38 per cent in the last general election in 1988.

The overall effect of Sunday's vote was a sweeping rejection, to different degrees, of all the traditional parties of government. With an abstention rate of 31.3 per cent, the votes of the Socialists, the centre-right UDF umbrella grouping, and the RPR Gaullist party totalled less than 40 per cent of the electorate.

The extreme rightwing National Front, led by Mr Jean-Marie Le Pen, made large gains, especially in the south of France. Its score of 13.9 per cent marks it out as the largest extreme rightwing party in western Europe, but its vote was well below the 15 to 20 per cent forecast by the party's leaders.

The two ecological movements also made a substantial breakthrough to total 13.9 per cent.

Message to Mitterrand, Page 3
Editorial Comment, Page 20

Germany will resist EC revenue plans

By David Gardner, recently in Bonn

GERMANY, struggling to meet the mounting cost of reunification, is determined to resist European Commission plans to increase EC revenue by nearly a third over the next five years.

German officials negotiating the EC's new medium-term finance package say Bonn will not accept the full increase being sought by Brussels for 1993-97, which needs approval by all 12 member states. Germany also does not intend to let pass unchallenged the rebate the UK has received from the EC budget since 1985, the officials said.

They added that they did not expect the new revenue base to be in place before 1994. The Commission had hoped for agreement on the new package at the Lisbon summit in June. Any long delay risks complicating ratification of the Maastricht treaty on European union, which is due to come into effect next year and foresees new fiscal transfers to the four poorest member states, Spain, Ireland, Portugal and Greece.

Germany wants the Commission to scale back its plans to double these transfers to these four to raise their per capita income. It is incensed that Mr Jacques Delors, Commission president, last week linked this aim of "cohesion" with "convergence" - the tight financial targets Maastricht set for entry into monetary union later this decade.

If the transfers "have a positive effect on convergence, so much the better," said a senior German finance ministry official. "But we refuse to accept any cause-and-effect relation."

Bonn had little option but to resist Brussels' revenue ambitions at a time when Germany was having to rein in its own spending to meet the rising cost of unification, and during a public backlash against trading the D-Mark for a currency union.

Germany reckons the Commission could get two thirds of what it wants without changing the EC revenue ceiling. It now stands at 1.2 per cent of EC gross national product and Brussels wants to raise it to 1.37 per cent by 1997.

Bonn calculates that in nominal terms – allowing for growth of 2.5 per cent per annum and inflation of 4.5 per cent per annum – Brussels is seeking an increase to Ecu105.5bn in 1997. It reckons the EC, because of growth and inflation, would get Ecu92.4bn anyway without changing the revenue ceiling – leaving only an Ecu13.1bn gap to be negotiated.

Though this appears narrow, Germany calculates its net contribution would rise from Ecu9bn this year to an unacceptable Ecu11.5bn in 1997. About Ecu500m of this year's contribution is for the UK rebate, worth over Ecu2bn and reducing Britain's net contribution to Ecu3bn. Officials said Bonn was unwilling to continue supporting the UK rebate, but as part of a redistribution of the fiscal burden it "would be prepared to contribute [the Ecu500m] to Europe".

Tietmeyer warning, Page 4

Kohl calls for restraint as public sector pay talks fail

By Christopher Parkes in Bonn

GERMAN INDUSTRY set the *scene for future conflict with the* trade union movement yesterday by challenging the basis on which wage negotiations are conducted.

Criticism of pay policy by the country's leading employers' association came as Chancellor Helmut Kohl warned the national economy was losing momentum and appealed for moderation in wage demands.

At the same time the public sector union announced that pay talks for the 2.3m public sector workers had failed, setting the stage for arbitration proceedings. If these prove unsuccessful, the sector could face its first serious strike since 1974.

Mr Klaus Murmann, president of the country's leading employers' association, the BDA, said a fundamental change in pay policy was needed. He was protesting against the accelerating tendency towards national inflation-plus awards which ignored regional and sectoral trends.

"Banks feel they can afford a 5 per cent increase this year," he said. But there was no way the engineering industry could match this. Economic prospects had been "seriously endangered" by misguided pay policies.

He said overall labour costs had to be reduced in the interests of stability, competitiveness and recovery in the former GDR. The only way was through a fundamental change in pay policy.

"We employers are not just talking about change, we have decided to introduce it. A course correction is inevitable and anyone who postpones it will suffer," Mr Murmann added. Talks would start with government and unions as soon as the current pay round was finished.

The employers' association insisted that productivity had to be the sole criterion governing wage increases this year.

The DGB union confederation promptly rejected Mr Murmann's demands. It said it had seen no evidence of pressure for change among employers in around 20 recent pay settlements of up to 7 per cent in small industries.

Mr Kohl said that, with economic growth of 1.5 per cent expected in the west this year, the room for manoeuvre over pay had shrunk. Employers and unions had to bring wages closer into line with productivity.

While efficiency in the east was only 29 per cent of western levels, he said, average pay was 44 per cent of that in the former federal republic.

Mr Kohl's intervention underscored the deepening gloom over the prospects for the east, which depend on massive transfers of public money and investment from the private sector. Foreign investment so far accounts for only about 10 per cent of the total spent there since unification.

The declarations from the BDA, which had withdrawn from the public debate over pay as sectoral negotiations for banking, public service and engineering workers got under way in the past few weeks, highlight an underlying debate and growing anxiety within German industry.

Medium-sized companies, which account for two-thirds of the national workforce, are increasingly resentful of over-generous settlements on pay, holidays and working hours agreed between unions and employers' groups dominated by large, rich companies such as Daimler-Benz.

This has resulted in a national levelling-out of pay and conditions, which is now accelerating.

Net wages in the west increased by 7.6 per cent in 1990 and around 7 per cent last year, compared with an average increase over the previous 10 years of 3 per cent.

THE planned European currency should be called the "Euro-Mark" or "Europa-Mark", not the Ecu, said Mr Theo Waigel, German finance minister.

CONTENTS

Poland's tough draft budget cuts subsidies

By Christopher Bobinski in Warsaw

POLAND'S centre right coalition government has cut subsidies and social *welfare in* a tough draft budget designed to recoup international credibility, spur exports and curb domestic demand.

The draft now passes to parliament where it faces a month-long scrutiny by the 29 parties, many elected in opposition to market reform policies introduced by the first two post-communist governments.

Last week the International Monetary Fund, which has suspended disbursement of its $1.6bn extended loan facility because of the soaring budget deficit, gave conditional backing for the budget provided Mr Andrzej Olechowski, the finance minister, who managed to *keep the budget deficit* below Zl 65,550bn ($4.9bn), equivalent to 5 per cent of GDP.

Implementation of last year's Paris Club agreement under which Poland's official creditors agreed to a 50 per cent reduction in the country's $33bn official debt is linked to Poland's conformity to terms agreed with the IMF.

Mr Jan Olszewski, the prime minister, originally favoured an easing of economic policy, but yesterday called on parliament to recognise the importance of retaining the confidence of the IMF.

Poland's crisis deepened as the recession pushed thousands of state industries into loss, cutting the major source of tax income, while social welfare spending soared.

Mr Olechowski said corporate taxes were to be eased and the debts of some companies would be re-scheduled to help industry survive. But the average level of indirect taxes on consumer goods is to rise from last year's 5.4 per cent to 7.5 per cent coupled with tighter state sector wage controls.

Real incomes of health, education and government administrative staff and 8m pensioners will fall.

Mr Olechowski, said Poland *managed to keep within its* spending limits over the first quarter, but a broader political coalition was needed to ensure that the budget was passed "in the face resistance from various social groups".

The government is hoping to finance a part of its budget deficit with World Bank loans and support from western governments. It also hopes to raise Zl 10,000bn by selling one and three-year government bonds.

CSCE set for fresh effort over Nagorno-Karabakh

AN INTERNATIONAL effort to settle the conflict between Armenia and Azerbaijan over the enclave of Nagorno-Karabakh is due to be made at a *ministerial meeting in Helsinki* today of the 48-nation Conference *on Security and Co-operation* in Europe (CSCE), writes *Robert Mauthner in Helsinki.*

The dispute over the region, part of Azerbaijan but which has an Armenian majority, has defied conciliation efforts of several mediators.

Mr Jiri Dienstbier, the Czechoslovak foreign minister, given a mandate by the North Atlantic Co-operation Council, has delayed his departure to give CSCE ministers a chance to discuss the problem. The council groups Nato, the east *European countries* and *most* of members of the Common*wealth of Independent States.*

CSCE officials, meeting before the ministerial meeting, have suggested that a special international conference should be called to discuss a solution to the dispute, which has resulted in the death of some 1,500 people over the last four years.

New watchdog, Page 21

ALBANIA'S opposition Democratic Party captured a clear parliamentary majority in Sunday's general election with 62.2 per cent of the vote against 25.6 per cent for the outgoing Socialist Party, the Central Electoral Commission said, Reuter reports from Tirana.

With tallies from 97 of 100 constituencies counted, there was still no clear indication of *how many seats each party would have under* Albania's sophisticated new electoral system that combined first-past-the-post elements with proportional representation. In essence, parties that win more than 4 per cent of the ballot can get seats equivalent to their share of the vote in the new 140-seat assembly. Commission sources said the Democratic Party of Mr Sali Berisha had won 76 seats outright, while the renamed Socialists took *only* five.

Brussels warns on fuel tax

By David Gardner in Brussels

The European Community will *not be able to meet its commitment* to reduce carbon dioxide emissions to *1990* levels by the year 2000 without some form of the tax on fossil and other forms of energy advocated by Brussels, European Commission officials said yesterday.

Several member states had maintained that their own energy-saving and anti-global-*warming measures could meet* the EC target without need of a tax.

But with a week to go before the deadline by which each of the 12 agreed to submit a programme of "complementary measures" to cut CO_2 output, only three member states - Germany, Denmark and the Netherlands - have done so. The UK, *which has promised to* stabilise emissions only by 2005, has submitted its white paper on the environment, This Common Inheritance, *which lacks detailed timetables* on emissions.

Mr Carlo Ripa di Meana, the EC environment commissioner behind the energy tax proposal, said: "This proves that on a strictly national level, far from being sufficient to deal with the emissions, the problem is that they (member states) do not even fulfil these *basic commitments.*"

The national programmes *are supposed to constitute one* of three weapons - alongside the SAVE energy conservation programme and the carbon/energy tax - in the EC arsenal against global warming. The Commission had originally calculated that without a tax, the EC would only meet three-*fifths of its emission reduction* target by 2000. It therefore wants a levy falling half on *fossil fuels and half on other* forms of non-renewable energy, equivalent to $3 on a barrel of oil, rising to $10 by 2000, which member states would offset by tax reductions.Industry has lobbied against the plan in proportion to the intensity with which it consumes energy, arguing voluntary measures would meet the EC target. However, Mr Andrew Warren of the European Association *for the Conservation of Energy*, broadly backing a levy, said *lack of concrete programmes to* cut emissions would "inevitably strengthen the case for a CO_2 tax".

Ministers did, however, agree on tighter limits to the sulphur content in diesel and heating oil. Sulphur in diesel will have to be not more than 0.2 per *cent by October 1994, and 0.05* per cent by October 1996.

Ukraine plans to sever Russian economic links

UKRAINE's parliament meets *in closed session today* to consider an economic programme *that would cut links with* Russia and rely on greater self-sufficiency and financial discipline, writes Chrystia Freeland in Kiev.

The programme, a copy of which has been obtained by the Financial Times, is the work of Mr Oleksandr Iemelianov, *chief of the economic* division of the Duma, Ukraine's policy-making body.

His plan is characterised by overt hostility towards Russia, warning that Ukraine's economic conflict with its northern neighbour "threatens Ukraine's very independence". It was first unveiled to President Leonid Kravchuk last Thursday, and may have fuelled the conflict between Ukraine and Russia at the Commonwealth of Independent States summit the next day.

The parliament is expected *to decide whether Ukraine opts* for the reactionary past, as *advocated in the confidential* programme, or makes the radical move to the free market and liberal trade championed by Ukrainian reformers.

Much will depend on Mr Kravchuk's position. To date, Mr Kravchuk, who prefers compromise to confrontation, has carefully promoted both reformers and conservatives in Ukraine's slow-motion cabinet shuffle. According to a western adviser to Ukraine's government, the fiercely nationalist tone which Mr Iemelianov and much of the leadership have adopted poses the threat of a "national Communist" regime in Ukraine.

Mr Volodymyr Hryniov, deputy chairman of parliament and a leader of New Ukraine, the liberal reformist alterna*tive to the old guard*, said: "I will oppose the programme . . . this direction is very dangerous." He argues *that* Ukraine's only salvation lies in outstripping the Russian pace of reform.

Mr Iemelianov's programme begins with the accurate assessment that Ukraine lacks a coherent economic vision of *its own* and has been following Russia's lead. He points to the damage *Russia's breakneck* emission of roubles has done to the rouble-starved Ukrainian economy.

He proposes closing off the Ukrainian economy and "a complete exit from the rouble zone, and the immediate introduction of our own currency *simultaneously with Russian* price liberalisation (scheduled for April 1)".

Ukrainian reformers were the first to float the idea of a separate currency. However, today they defer to World Bank and IMF experts, who have warned them that introducing a separate currency before creating a functional central bank and a detailed monetary reform plan would be a disaster. The Ukrainian National Bank, whose chairman, Mr Volodymyr Matvienko, has long been attacked for foot-dragging, *is due for an overhaul today.*

Mr Boris Yeltsin, the Russian president, will probably be invited to the summit of the Group of Seven industrialised states in Munich in July, Mr Helmut Kohl, the German chancellor, *said yesterday*, writes Quentin Peel in Bonn. Although the invitation was not up to him alone, Mr Kohl said he assumed the Russian leader would attend "in one way or another".

CIS army chief says key issues unresolved

By John Lloyd in Moscow

THE HEAD of the armed forces of the Commonwealth of Independent States yesterday said that basic issues of finance, division of arms and agreement on the draft for the coming year had remained unresolved between the CIS *governments* after the summit meeting at Kiev last week.

Marshal Yevgeny Shaposhnikov said that the budget for the armed forces - except for the independent forces now being created in Ukraine and Moldova - was now being met entirely by Russia, which had put up Rbs50bn for the first quarter of the year. He said that Russia would have again to agree a budget for the sec*ond quarter soon, since there* had been no agreement from other republics on contribu*tions to the budget.*

This would mean, he said, that Russia would take over command of "certain units", which he did not specify.

He said the formation of a separate Russian army under a Russian defence ministry, announced last week and under *the direct authority of* Mr Boris Yeltsin, the Russian *president, would not mean two* commanders at the head of the armed forces.

A peacekeeping force of "observers" is to be formed to intervene in areas of conflict, such as Nagorno-Karabakh and in the Trans Dnestr region in Moldova.

This would *exist* outside *of* the CIS armed forces, and be *formed* from units from various republics, he said.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, *Nibelungenplatz 3. 6000* Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the *Board of Directors*, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible *editor: Richard Lambert, Financial* Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered *office:* Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The *Financial Times Limited*, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard *Lambert*.Printer: *SA Nord Eclair*, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: EUROPE

France delivers stern message to Mitterrand

The president and his party will struggle to recover from the regional poll results, writes **Ian Davidson**

THE MASSIVE popular rejection of the French Socialist Party in Sunday's regional elections is a critical turning point in the presidency of Mr François Mitterrand. It has finally destroyed the credibility of the government of Mrs Edith Cresson; it has delivered a deeply damaging blow to the prospects of the Socialist Party in next year's general elections; and it has, as a result, inflicted a wound on the president himself from which he may not recover.

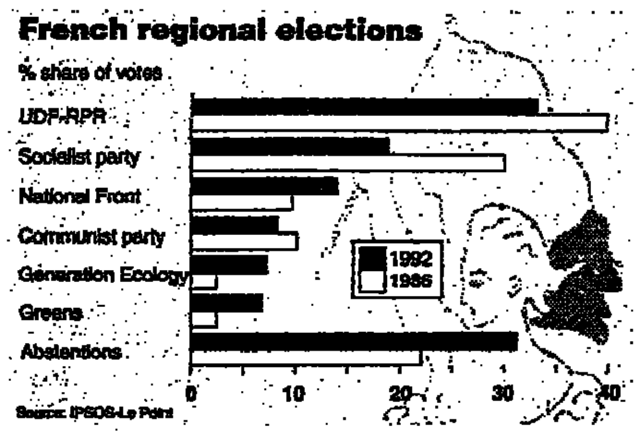
Cumulatively, these problems may prove insuperable for the president and his party. No-one in France would make the historic mistake of underestimating President Mitterrand's enormous powers of manoeuvre and survival. Yet there is a palpable sense that France is entering the stormy waters of the end of a regime, which may test his powers to breaking point and beyond. "These elections," wrote Mr Serge July in yesterday's Libération, "mark without doubt the end of the Mitterrand years."

His most immediate problem is the credibility of the government. Faced with the disavowal of more than 40 per cent of the Socialist Party's voters, compared with the last general election of 1988, President Mitterrand is bound to search around for some way of reversing the tide.

A common assumption is that he will dismiss Mrs Cresson, whose record-breaking unpopularity must surely bear some of the responsibility for the poor showing of the socialists in Sunday's vote, and replace her with a more popular figure.

There is only one problem: it is not clear that there is any alternative candidate who could restore the Socialist Party to public esteem. Mr Jacques Delors, president of the European Commission, is repeatedly cited as by far the brightest star in the socialist firmament; but he owes his considerable popularity, at least as much to his distance from the discredit contaminating the rest of the Socialist Party in France, as to the international glamour of his role in Brussels.

In any case, it is hard to see how he could usefully answer a call of duty from France's Socialist president, without at the same time throwing away his European reputation. He owes a duty to all 12 governments; and his immediate priorities are the follow-up to the Maastricht treaty and the preparation of a Community policy towards the new candidates for membership. If he were to leave Brussels early, he must surely give several months' notice; but by then, he might have too little time to win back public opinion to the Socialist Party.



Mr Pierre Bérégovoy, the heavyweight finance minister, is manifestly only too ready to offer his services as a replacement prime minister, and no doubt he would be a safe pair of hands.

Since he also represents the personal guarantee of France's commitment to the hard franc and a consistent anti-inflation policy, no doubt his appointment would be welcomed by the international bankers. The trouble is that the international bankers already approve of French economic policy; what Mr Bérégovoy lacks is the kind of charisma which would be likely to excite ordinary French voters.

It is possible, therefore, that President Mitterrand may simply turn a deaf ear to the clamour for a new government, and instead decide to soldier on with Mrs Cresson.

But even then, he would need a strategy for avoiding a catastrophic defeat in the general elections just over a year from now. It turns out that Sunday's regional vote significantly overstates the degree of popular disaffection with the Socialist Party; a poll conducted outside the voting booths indicated that 22 per cent would vote socialist in a general election.

Yet even that figure would imply a landslide for the conservatives, with 410 seats to the Socialists' 100-110.

But the main significance of Sunday's regional election was the operation of proportional voting rules, which made possible the rise of the extreme right-wing National Front and the two ecologist movements, at the expense of all the traditional parties of government.

The Socialists took a hammering, but the conservative vote also suffered serious erosion.

Inevitably, Sunday's vote has set up a renewed clamour of controversy over the repercussions of proportional representation.

The conservatives have denounced PR as an iniquitous system, partly because they believe it robbed them of votes on Sunday, but mainly because they fear President Mitterrand will reintroduce it for general elections, to rob them of votes next year.

Indeed, it is a fact that President Mitterrand has indicated a clear inclination to move towards PR; but he has not said how far he wants to move. Recent simulations suggest that only a fully proportional system would prevent a conservative majority: they would get the most seats in parliament, but critically short of an absolute majority.

Some people assume, therefore, that President Mitterrand will be determined to go for full PR.

This could lead to serious conflict with leaders of the Socialist Party, however. They say that they favour an element of PR, as a gesture to potential allies in minority parties, like the ecologists; but they are resisting full proportional representation, for fear that it should look too much like bare-faced electoral engineering.

Sunday's popular rejection of the traditional parties of government no doubt contained some element of gratuitous ill-temper.

The voters knew they could afford to express their general discontent, because their vote would not automatically have specific policy consequences.

But it is hard to deny the two most obvious lessons of the poll: after 12 years in power, the Socialists have probably out-stayed their welcome; and as the alternative party of government, the conservatives arouse very little enthusiasm indeed.

Le Pen addressing journalists in Nice about his party's advance

Le Pen turns his protest vote into real influence

By William Dawkins in Paris

THE ONE eye of Mr Jean-Marie Le Pen, leader of France's extreme right-wing National Front, was yesterday glittering with satisfaction at the sight of the first extensive regional power base his party has ever had.

For one of the less obvious but most important consequences of Sunday's regional elections was to give the FN real influence, in some cases the swing position, in most of the country's 22 regions. Formerly, Mr Le Pen's people, with their loud anti-immigrant xenophobia, were seen as dangerous outsiders in local politics.

Now, the FN has number two position in the three largest regions and significant influence in five more, a solid country-wide base from which to make its voice heard in the run-up to next year's general election. That will be the real opportunity for the FN to make up for the main weakness in its political weaponry; the fact that it holds just one seat in the 577-seat National Assembly.

Nationwide, the FN did slightly less well than expected out of what was a protest vote against the political establishment. The FN's 13.9 per cent score on Sunday was a big advance on the 9.8 per cent it got in the last regional poll in 1986, but miles behind Mr Le Pen's own claims that he would get 20 per cent.

Notably, both Mr Le Pen and the wily Mr Bruno Mégret, his number two and the brains behind the FN's policies, suffered personal disappointments in the key region of Provence-Alpes-Côte d'Azur, the FN's main battleground.

There, Mr Le Pen came second to the local conservative candidate in the Alpes-Maritimes district, and Mr Mégret came third in the Bouches du Rhône, behind Mr Jean-Claude Gaudin, regional council president and the millionaire Socialist supporter Mr Bernard Tapie.

Yet overall, the FN came out second in the Provence-Alpes-Côte d'Azur region, with 34 of the 123 regional assembly seats, more than double its previous representation. So the area's conservatives, with a relative majority of just 43, cannot ignore Mr Le Pen in daily government.

The FN has even out-distanced the Socialists, to be number two behind the conservatives, in the two largest regions, the Ile de France, which embraces Paris, and Rhône-Alpes, whose regional capital is Lyons, France's second city. It now holds similar positions in Alsace and Languedoc-Roussillon and has made strong advances in Franche-Comté, Bourgogne and the Socialist stronghold of Nord-Pas-de-Calais.

One reason why the FN's moderate score counts for so much is that the regional election is by proportional representation, as against the one-member constituency system that now applies to French general elections.

According to Sofres, the polling organisation, the FN would win 77 parliamentary seats if it repeated its weekend performance in a proportional general election.

This calculation matters because the Socialist party might agree to introduce an element of proportional voting for next year's poll, so as to help the ecologists and other respectable alternatives.

Sunday's vote indicates just how much such a change would also benefit the FN.

Ecology parties divide the spoils

By Alice Rawsthorn in Paris

TWO PARTIES of similar political persuasion which can together capture a combined 14 per cent of the votes in an election, putting them in third place behind the other parties, might see merger as the sensible solution.

But, as anyone who watched Sunday night's television debate between the heads of France's two ecology parties will be aware, there is no immediate prospect of a merger between Mr Antoine Waechter's idealistic Greens and the more pragmatic Generation Ecology, led by Mr Brice Lalonde, the environment minister. During the debate an emotional Mr Lalonde repeated his long-standing offer for the two parties to merge. Mr Waechter replied by sternly shaking his head.

The ecologists' success was a salient feature of Sunday's poll. The Greens secured 6.8 per cent of the votes and GE claimed 7.1 per cent. This meant that, together, they were the third largest political force, with almost 14 per cent of the poll, just ahead of the National Front. Moreover the ecologists' gains in particular regions – Alsace, Haute-Normandie, Ile-de-France and Rhône-Alpes – should bolster their campaigning strength in next year's national elections.

At first glance the ecologists have made significant progress since the 1989 European elections when the Greens, then the only large environmentalist party, captured 10.6 per cent of the poll. The underlying picture tells a different story of the Greens themselves losing ground to the 15-month-old Generation Ecology. It goes a long way to explaining why Mr Waechter is so strongly opposed to Mr Lalonde's overtures.

Until GE's emergence, the Greens, with their utopian agenda, were the driving force in French environmentalism and a prime beneficiary of the protest vote against the ruling Socialists, That role has now been usurped by GE which, as one would expect from a party led by a government minister, advocates a more pragmatic form of environmentalism working within the existing political system.

Sunday's poll was the first real test of the relative power of the two parties. Originally the Greens had hoped to cling on to a majority of the ecology vote. Instead they were out-stripped by GE.

Mr Lalonde has long argued that the two movements should merge.

So far Mr Waechter has argued against an alliance, although some factions of his movement are known to be in favour.

ITALIAN ELECTIONS

Mafia plot theory enlivens poll

By Robert Graham in Rome

WITHIN the space of a week Italy's Christian Democrat-led government has managed the unusual feat of both inventing and dismissing a nationwide plot to destabilise the country's elections on April 5.

The ill-explained conspiracy was advanced by Mr Enzo Scotti, the interior minister, to account for the presumed Mafia killing of Mr Salvatore Lima, the Euro-MP and most powerful Christian Democrat politician in Sicily. But now even Mr Giulio Andreotti, the prime minister and a close friend of Mr Lima, has dismissed the conspiracy theory as "a worthless piece of paper."

Indeed, it has emerged that the only people to give credence to the idea of occult forces at work in concert to destabilise the elections were Mr Scotti, a Bologna magistrate, and a dubious prisoner with a record of previous disinformation who purveyed a story claiming Mafia elements had a hit list of senior politicians.

Over the weekend, Mr Andreotti said acting on this informer's evidence was like clearing a school when a student has telephoned with a bomb scare.

The affair looks as though it is now being buried as quickly as it was raised, the Christian Democrat leadership recognising that the electorate was unimpressed and that to pursue the matter risked serious embarrassment.

As it is, the opposition have had a field day, criticising a crude attempt to manipulate voters' sympathy. L'Unita, the daily of the former communist party, the Party of the Democratic Left (PDS), carried a full page advertisement labelled "the worthless pieces of paper" with a picture of the government.

The ruling party's principal approach continues to emphasise the risks of votes going to the smaller parties which will weaken the prospects of a new coalition with their Socialist partners.

However, the weekend results of France's regional elections, closely watched in Italy, could give further encouragement to protests going to parties such as the Republicans (PRI), the populist Lombard League, parties backing referendums and the Greens.

Enzo Scotti: advanced ill-explained conspiracy

Wine scandal prompts quality control tests

THE ITALIAN government announced yesterday it had ordered quality controls on all domestically produced table wines in a bid to improve the image of Italian wine after a doctoring scandal, Reuter reports from Rome.

A decree due to come into force at the end of this month, published in the official gazette, will extend tests already imposed on top-quality Denominazione di Origine Controllata (DOC) wines.

Italian table wine is currently not subject to statutory testing.

Police in the Veneto region around northern Padua arrested four men in January and seized 4m litres (880,000 gallons) of cheap red and white wine laced with a pesticide.

Contaminated wine from Italy, which vies with France as the world's biggest wine producer, has since been seized in France and Germany.

Britain's Marks and Spencer chain store recalled two types, white Pinot Grigio and red Merlot.

"Wine-growers and merchants all wanted tests to safeguard the image of Italian wine," said a spokesman for the Confagricoltura association grouping several thousand producers.

"This is a sign to consumers abroad and in Italy that there are no doubts on the quality of the wine."

Under the decree from the agriculture ministry, Italian table wine will be subjected to 16 tests including alcohol content, acidity and the presence of the chemical methylisothiocyanate.

It was the discovery of traces of this chemical, used in fruit fungicides, in the Veneto wine that sparked the scandal earlier this year.

Wine producers have estimated that when the scandal first broke, sales of Italian wine slumped by 18 per cent in Britain and close to 8 per cent in Germany.

The doctored wine is harmless unless drunk in huge quantities.

EC ready to recognise Georgia

THE European Community said yesterday it would recognise Georgia, the former Soviet republic that has stayed out of the Commonwealth of Independent States (CIS), Reuter reports from Lisbon.

Georgia has accepted conditions the 12 EC states laid down last December for recognising new republics in Eastern Europe and the former Soviet Union, an EC statement said.

Georgia said in a letter to the EC it accepted the conditions for recognition, which included guaranteeing the rule of law, democracy and human rights.

Mr Eduard Shevardnadze, Georgia's new leader who previously served as Soviet foreign minister, said in the letter that Georgia would hold fresh parliamentary elections by October.

Slovaks reject independence

The Slovak parliament yesterday rejected for the third time an attempt to proclaim the region's sovereignty, which would be the first step towards declaring independence and splitting Czechoslovakia, Reuter reports from Prague.

The Slovak National Council in Bratislava threw out a motion by Mr Jozef Prokes, leader of the separatist Slovak National Party, to discuss a law which would have pronounced the sovereignty of the eastern of Czechoslovakia's two republics, Czechoslovak radio reported.

Czech politicians say such a move would be unconstitutional. But several of the major Slovak parties have already adopted a declaration of sovereignty ahead of a general election due in June.

Eight die as fighting flares up in Bosnia-Hercegovina

By Laura Silber in Belgrade

AT least eight people were killed yesterday in Bosnia-Hercegovina in the worst day of violence since Moslems and Croats in the central republic earlier this month voted to break away from Yugoslavia.

Six federal army soldiers and two Croat militiamen were killed in fighting near Neum, on Bosnia's patch of Adriatic coastline. Local officials reached by telephone yesterday accused the Serb-controlled federal army of "using multiple rocket launchers, mortars and artillery to launch over 1,000 projectiles on outlying Croat villages." A member of the town's crisis team said over 2,000 army troops have massed near Neum, 90 per cent Croat, which lies just north of a self-proclaimed Serb autonomous region.

Clashes have escalated in Bosnia since Moslems and Croats, two of the republic's three main ethnic groups, voted in favour of independence. Serbs, who make up about one-third of the republic's 4.4m population, have raised roadblocks in protest against Bosnian independence.

At the same time several people were reported wounded in gunfights yesterday between Serbs and Moslems in Gorazde, 30 miles southeast of Sarajevo, the Bosnian capital, which has been designated the headquarters for the United Nations peacekeeping forces.

Mr Hadzo Efendic, the mayor of Gorazde, said the clashes began when Serbs demanded a greater share of petrol which has been rationed in Gorazde. Tanjug, the Belgrade-based news agency, said Serbs seized a television transmitter after the Moslems took control of the local police station and a factory. It said shops were closed and the streets remained deserted after the rival ethnic groups exchanged gunfire and raised several road blocks in and around Gorazde.

But a western observer yesterday attributed the renewed clashes to "last minute pushing and shoving" before the 14,000 UN peacekeepers are deployed to neighbouring Croatia. Many diplomats believe the presence of peacekeepers in Croatia will calm the volatile ethnic groups in Bosnia, where peacekeepers will not be despatched.

Some 500 members of a UN advance team are already in the three UN protected areas in Croatia.

The UN says a stable ceasefire is a requirement for the deployment of peacekeepers. But UN officials reached by telephone in their headquarters in Sarajevo yesterday declined to comment on the most recent violations of the 11-week-old UN-brokered ceasefire.

Mr Fred Eckhard, the UN spokesman, said: "Our eyes and ears are not yet established well enough for us to establish who's doing what to whom."

Croatian and Serbian media yesterday also accused each other of violating the ceasefire in fighting around Vinkovci, eastern Croatia.

Emu doomed to failure without political union, says Tietmeyer

By David Marsh

A STRONG warning that European monetary union could be "doomed to failure" unless it was coupled with continent-wide political union was given yesterday by Mr Hans Tietmeyer, vice-president of the German Bundesbank.

"Further progress towards political union is probably indispensable for the lasting success of monetary union," he told a German chamber of commerce lunch. There was a risk Europe could "take a step backwards" unless politicians widened horizons towards extending the Maastricht Treaty fully to the political sphere.

He stressed the importance of a "common basis" of economic and fiscal policies to make the plan work properly to move to a single currency by the end of the 1990s.

Mr Tietmeyer rejected drawing up the list of countries to participate in Emu on anything else except stringent economic criteria. There could be "no political assessment" of the eligibility of countries to join when the first decisions on Emu are taken in 1996, he said.

Foreign holders of D-Marks would have to be assured that the new European currency would be at least as stable as the D-Mark. "Absolute assurance is not possible in this world. For this you have to wait until heaven," he said, but did not, however, indicate whether he expected to wait so long for Emu to be in place.

Portuguese inflation and trade figures better than expected

By Patrick Blum in Lisbon

PORTUGAL'S trade and inflation performance is improving more quickly than previously forecast, according to Mr Jose Alberto Tavares Moreira, the central bank governor.

The trade balance improved sharply in January and inflation has been slowing since the beginning of the year, according to recent figures which officials argue show the economy is performing better than expected.

At the end of February, average annualised inflation was down from 11.4 per cent for the whole of 1991 to 10.2 per cent. The trade deficit fell by almost 40 per cent in January as a result of a surge in exports, which grew by 17.4 per cent compared with January 1991.

Mr Moreira told the Financial Times that improvement on both fronts demonstrated the economy was performing much better than was forecast by the Organisation for Economic Co-operation and Development in its annual report on Portugal published last month.

"The trend is positive, and the (economic) convergence process (with the richer European Community states) is clearly moving ahead," he said.

"At 0.2 per cent the inflation rate is already 0.3 percentage points below the OECD's forecast of 10.5 per cent for the whole of 1992. If the current trend continues, the target of 8.5 per cent inflation is very much within reach."

He said price increases should slow further in March, though new value added tax rates coming into force in April could temporarily reverse the trend. The results demonstrated the correctness of the current tight monetary and foreign exchange policies, he said.

"The dramatic improvement in the trade balance shows that the exchange rate policy (to maintain a strong escudo) is not as serious a constraint on industry as has been argued," he added.

He said there were no special reasons for January's strong export performance. Trade with Portugal's major partners such as Spain showed a similar pattern.

NEWS: AMERICA

Citicorp chief optimistic on debt

By Stephen Fidler, Latin America Editor

A LEADING international banker expressed optimism yesterday that an agreement in principle could be signed within two weeks between commercial banks and both Brazil and Argentina, Latin America's first and third most indebted countries.

Mr William Rhodes, vice-chairman of Citicorp, which heads the bank advisory committees to both countries, said such agreements would mark a "landmark" in the 10-year debt crisis.

Argentine government officials were yesterday to make a new debt restructuring proposal to banks in New York. Mr Rhodes's comments followed weekend telephone conversations with Mr Domingo Cavallo, the Argentine economy minister. Brazil's chief debt negotiator, Mr Pedro Malan, said last week he expected agreement in principle soon with banks.

"We are making good progress with both Brazil and Argentina. We could have agreement with one or both governments by the Inter-American Development Bank meeting," Mr Rhodes said. The IADB holds its annual meeting in the Dominican Republic on April 6 and 7.

"All parties – the governments, banks, the international financial institutions and the G7 [Group of Seven] – now feel that the moment is propitious to reach agreement," he said.

Even if agreements in principle are quickly reached, final agreement will take months. Both debt restructurings will take advantage of the Brady debt reduction initiative in 1989 by Mr Nicholas Brady, US Treasury Secretary. Banks are offered a variety of options, most of which involve exchanging debt for new concessional bonds. Argentina and Brazil appear likely to settle on a discount on the concessional bonds of around 35 per cent, the level gained by Mexico two years ago.

Brown shoots to wound Clinton in Connecticut

By Jurek Martin, US Editor, in Washington

THE principal interest in today's US primary in Connecticut lies in the extent to which Mr Jerry Brown can shoot holes below the waterline of the front-running Democratic party candidacy of Mr Bill Clinton.

Yesterday Mr Brown, former governor of California, described Mr Clinton, the governor of Arkansas, as the "greatest bluffer to enter American politics in my lifetime". He said: "I think it would be an alarming situation if the spin doctors of Bill Clinton were able to adopt a Politburo-type, one-candidate strategy for the Democrats."

At the weekend, he charged that his opponent was unelectable, morally irresponsible, insensitive on racial issues, an abuser of the public trust, and incapable even of running a campaign without recourse to deficits.

The Connecticut contest, for 53 convention delegates, is pretty much a straight fight between Mr Clinton and Mr Brown, though the name of Mr Paul Tsongas, who withdrew last week, remains on the ballot. It is also seen as a preview of what could be a bitter contest in New York two weeks later.

Mr Brown has ruthlessly exploited every allegation and half-charge against Mr Clinton. Yesterday the Los Angeles Times reported that, as governor, Mr Clinton had lobbied his local legislature to approve a state bond contract to a company headed by a man who later pleaded guilty to cocaine charges. Mr Clinton then granted him a pardon after he had served time in prison.

On Sunday, the Washington Post had reported about the relationship between the governor and the head of Tyson's Food, a big Arkansas poultry producer, including Mr Clinton's use of a corporate aircraft on state business.

As before, Mr Clinton issued careful rebuttals. He said the pardon had followed the unanimous recommendation of the state parole board and he had, in any case, pursued a policy of spreading state bond business among more companies so as to avoid favouritism.

On the second question, he said Arkansas could not afford an aircraft for gubernatorial use and he saw nothing wrong in saving state money, especially as he had disclosed every use of the facility.

But the mere existence of such reports is grist to the Brown mill. He has also sought to exploit in speeches to black audiences the fact that Mr Clinton played golf last week at a Little Rock country club which excludes blacks from membership (Mr Clinton has apologised for doing so). Mr Brown also said he would seriously consider the Rev Jesse Jackson, the black activist and Democratic contender in 1988, as his running mate.

On the Republican side, with 35 delegates at stake, President George Bush has faced no real active campaigning in Connecticut from his challenger, Mr Pat Buchanan.

Mrs Clinton stands with her man

The Democratic front-runner's wife is something of a joint candidate, writes Nancy Dunne

THE "HILLARY factor" and the role of Mrs Hillary Clinton, the wife of Arkansas governor Bill Clinton, is emerging as a strong force in the Democratic presidential primary campaign and a possible Clinton presidency.

As a full partner in her husband's campaign and a prominent lawyer in her own right, Mrs Clinton, at 44, is as much a symbol of generational change in national US politics as her husband. At first viewed as the 45-year-old governor's secret weapon, she played a leading role in the nuts and bolts of what has been a well-organised campaign.

However, her response last week to a spate of negative news stories about connections between the state government and contracts granted to her law firm has lifted her political profile. It may also have been something of a lesson in why most candidates' wives confine their activities to sitting on platforms and gazing adoringly at their husbands.

Speaking to journalists about how she might have to re-evaluate how she conducts her career, Mrs Clinton blurted out: "I suppose I could have stayed home, baked cookies and had teas," she said.

The remark was immediately seized on as a disparagement of women who forgo careers to be housewives and mothers. Governor Clinton was forced to defend it on television on Sunday. Insisting that Mrs Clinton "believes that rearing children is the most important work in our society", he said she had been speaking of what could have been a "largely ceremonial role" as Arkansas state's First Lady.

Until then, Mrs Clinton was considered such a plus in the campaign that both she and her husband like to say they are a "two-for-the-price-of-one" election bargain. She was certainly invaluable in parrying the womanising charges which hovered over her husband until they came out in to open in the Gennifer Flowers Affair.

When Ms Flowers, a part-time nightclub singer, told a supermarket tabloid that she had had a 12-year affair with the governor, Mrs Clinton was at her husband's side, urging voters in the New Hampshire primary to "take the election back from the sleazy tabloids".

Most Americans got their first glimpse of Mrs Clinton's forceful personality when the governor and his wife appeared on "60 Minutes", the top-rated US television current affairs programme, to acknowledge implicitly that he had strayed during his marriage.

However, said Mrs Clinton, "I'm not sitting here, some little woman standing by my man like Tammy Wynette (a country music singer). I'm sitting here because I love him and I honour what he's been through and what we've been through together. And if that's not enough for people, then heck, don't vote for him."

This kind of frankness can be alluring to many "baby boomers" who admire her independent mind and the equality of roles the couple seems to have achieved.

Mrs Clinton's early press notices suggested she is tough where her husband is more pliable. She could be, friends suggest, another Eleanor Roosevelt, who was also considered more liberal than her husband.

While she has been named by the National Law Journal as one of "the 100 Most Influential Lawyers in America", her views are also under attack. In scholarly articles and speeches, she has urged "family policies" and "children's rights", anathema to conservatives who fear the encroachment of government into private lives (except on the abortion issue).

"Children should have a right to be permitted to decide their own future if they are competent," she has written. Also, she has argued, the US must develop a comprehensive system of childcare, adapting to the reality that most women now must work. (The Clintons have a 12-year-old daughter, Chelsea.)

"If we compare our parenting policies in the workplace with those available in our industrialised competitors around the globe, we seem to put less actual value on the act of parenting than any other – despite our rhetoric, despite the political talk about who can be more pro-family than the next politician."

Her views are, said The National Review, the conservative journal, "chillingly... Swedish."

No one knows how the "Hillary factor" will play in the general election. In Washington, observers wait for "another high heel to drop" but she may have already neutralised the issue.

Older voters may see her as a "pushy" feminist. Certainly there could be little more contrast with the maternal Mrs Barbara Bush or Mrs Marilyn Quayle, wife of the vice-president, who earned a law degree but never practised law.

'I'm not sitting here, some little woman standing by my man like Tammy Wynette': Hillary Clinton, above, with husband Bill in the background, has given fodder to critics

Fujimori strengthens Tokyo links

By Sally Bowen in Lima

PERU'S President Alberto Fujimori has returned from an eight-day visit to Japan, the land of his ancestors, with an immediate $127m (£73.4m) in credits for machinery and equipment purchase and financial sector support.

He claimed his trip, which was concluded at the weekend, had "removed the barriers preventing a more fluid relationship with Japan".

Mr Fujimori became the first Latin American president and only the third foreigner in 50 years to address the Diet, or parliament. The credits, which are likely to be followed swiftly by $200m in export guarantee credits, mean Japan has become Peru's principal foreign funding source, accounting for "well over $550m in under 12 months", said Mr Fujimori.

This contrasts with what is perceived in Peru as US stinginess.

Quebec hints at compromise

QUEBEC'S prime minister, Mr Robert Bourassa, has shifted his government nearer constitutional compromise, writes Robert Gibbens in Montreal.

Mr Bourassa hinted after a Quebec Liberal Party policy session at the weekend that if the federal government made a favourable offer in May on greater autonomy, his government would resume talks.

Mr Bourassa has indicated that the new federal package must go further in ceding jurisdiction to Quebec and declaring the French-speaking province a distinct society.

FINANCIAL TIMES TUESDAY MARCH 24 1992

Libya offers to hand agents to Arab League

By Michael Littlejohns, UN Correspondent, in New York and agencies

LIBYA has told the United Nations it is prepared unconditionally to hand over two Libyan agents blamed by the US and Britain for the Lockerbie airliner bombing.

It proposes to hand the men to the Arab League and then to the UN in order to head off pressure for UN sanctions, including the cutting off of Libya's air links.

Mr Diego Arria of Venezuela, the current president of the UN Security Council, said details still had to be worked out but Libya's agreement to the procedure was outlined to him by Dr Ali Elhouderi, Libya's UN ambassador, in a meeting yesterday.

Mr Arria said that after the men were handed to the Arab League, they would be given to the custody of Mr Boutros Boutros Ghali, the UN secretary-general.

Mr Arria said the procedure he proposed would constitute compliance with the UN demand that the men be handed over. The decision to do this by stages beginning with the Arab League, was appropriate, he suggested.

Mr Boutros Ghali will probably send an envoy to Tripoli to work out the details of the handover.

In the meantime, the foreign ministers of the five Maghreb countries and of Egypt and Syria are expected in New York shortly for talks with the Security Council.

At a meeting in Cairo on Sunday the foreign ministers expressed solidarity with Libya and urged the suspension of any move to apply sanctions against Tripoli.

Earlier, the move for a vote on UN sanctions against Libya ran into a potential delay when China declared its opposition and held out the possibility of a veto. The US, Britain and France, sponsors of the proposed Security Council resolution ordering an air and arms embargo, had been prepared only for a Chinese abstention.

A firm statement against sanctions by Qian Qichen, China's foreign minister, was being interpreted in New York as a threat by China to exercise its veto – an increasingly rare action since the end of the Cold War.

But some diplomats suggested the Chinese were deliberately giving the Libyan leader more time.

Turkish premier promises end to fighting

By John Murray Brown in Ankara and Mark Nicholson in London

TURKEY'S prime minister, Mr Süleyman Demirel, yesterday promised to find a peaceful solution to violent unrest in south-eastern Turkey in spite of a third day of fighting in the area and a vow by Kurdish groups to launch a campaign of civil insurrection.

Mr Demirel's first comments on the crisis came amid reports of continuing clashes in Sirnak and Cizre in south-eastern Turkey, as security forces sought to restore order after the worst violence in the eight-year-old Kurdish troubles.

More than 60 people were killed in weekend clashes between security forces and Kurdish demonstrators marking the start of the Kurdish new year in a string of towns from the Syrian border through to Van, near the border with Iran.

In London, a Kurdish spokesman said the weekend violence left Turkey's Kurds with "no alternative but to go to war" and said rebel groups were mounting a campaign of insurrection.

Mr Akif Hassan, spokesman for the National Liberation Front of Kurdistan, a political affiliate of the Kurdish Workers' Party (PKK), which is outlawed in Turkey, said Kurds would "mobilise in every town, city and in every part of life" in a "mass popular uprising".

He claimed the government had forsaken any chance of a negotiated solution to the Kurdish issue and instead had sent "two thirds of the Turkish army" into the region. "Since peaceful means have been rejected," he said, "blood will be shed."

Mr Hassan claimed the weekend's fighting had left 88 Kurdish dead, including 29 in and around Cizre, 24 in Sirnak and 15 in the town of Nusaybin.

Kurds in Brussels smashed windows at the Turkish embassy in Brussels yesterday, while more than 150 Kurds occupied a European Parliament building for over five hours.

Turkey's official Anatolian news agency reported that demonstrators supporting the PKK opened fire yesterday on government and police buildings in Cizre. Army troop carriers were reported to have returned fire, but there was no immediate word on casualties.

In Sirnak the interior ministry reported that security forces had cleared the streets amid unconfirmed reports from Kurdish groups in London that Turkish aircraft had bombed the town centre.

This week's violence represents a severe blow to hopes of an early breakthrough in the troubles on the back of Mr Demirel's promise of Kurdish reform.

The prime minister at the head of an uneasy coalition is now expected to face growing pressure from the army and conservatives in his own party to take a strong hand against the PKK.

Widespread arrests were again reported throughout the region as shopkeepers refused to open, public transport came to a standstill, and children stayed away from school in sympathy with the demonstrators. In Istanbul, 17 people were arrested as police tightened security in anticipation of further PKK violence in Turkey's western cities.

After sporadic clashes throughout the winter months, the government is now preparing to head off the spring offensive by the PKK, as it seeks to increase its influence in the south-east.

Political solution fades away for Kurds

The birth of an independent Kurdistan would be very bloody, says **Our Foreign Staff**

LAST weekend's deaths in south-eastern Turkey after clashes between Kurdish nationalists and Turkish soldiers look ominously like Turkish Kurdistan's equivalent of the Boston Tea Party or the Dublin Easter Uprising of 1916.

The PKK Workers Party of Kurdistan seems to have been planning a widespread popular revolt timed to coincide with the Kurdish spring festival of Newroz, the Iranian and Kurdish new year.

For the coalition government of Mr Süleyman Demirel, which includes Kurdish social democrats such as the foreign minister, Mr Hikmet Çetin, things could hardly have turned out worse.

The government had been saying Newroz was a legitimate public holiday, but that it should be celebrated peacefully. Now the government is faces international censure for the deaths, while being criticised at home for being too soft.

The uprising began on Friday morning as the festival was getting underway in in Cizre, a town close to the Syrian border. Two pro-government village guards, both ethnic Kurds and from a notable local clan, were found hanging from lamp-posts in the main street with their mouths stuffed with money. They had rejected warnings from other Kurds and refused to join the PKK. Demonstrations followed and violence quickly erupted.

After such a start, it was perhaps inevitable – with the east full of military reinforcements and tempers raging on both sides – that guns would come out and lives would be lost.

It now looks very much as if a political solution to Turkey's problems with the Kurds may be lost for ever.

Government estimates put the number Kurds at around 8m out of Turkey's population of 58m. The Kurds themselves claim to be 20m. Outside observers general concur at about 12m.

Rapid population growth has led to an influx of Kurdish migrants into big cities such as Istanbul, Ankara, and Izmir.

For decades, Turkey has lived with the fiction that Kurds did not exist and there was no such thing as the Kurdish language. The aim was to assimilate the Kurdish minority into the Turkish mainstream.

That goal became more difficult after 1975 as economic development brought a professional middle class of lawyers, engineers, and teachers to the south-east who were attracted by Kurdish nationalism.

These political stirrings mostly began inside mainstream Turkish political movements, but they were viewed with deep suspicion by the Turkish military who remain convinced that violence is often effective in solving political and cultural disputes.

A crackdown on all shades of Kurdish opinion seems to be the main reason why in the early 1980s, a hardline Kurdish nationalist movement relying on a military arm similar to the IRA displaced half a dozen older and less violent Kurdish nationalist movements.

The PKK fed off central government repression. In 1984 it launched a guerrilla war. It has also succeeded in getting the population of the south-east united behind it.

The PKK is realistic about its prospects of ever detaching Kurdistan from Turkey: Instead it has several times offered to negotiate on a federal solution.

The idea is anathema to Turkish hardliners, who believe any concession to Kurdish nationalism could lead to the collapse of the entire country.

The hardliners have lost a good deal of ground in recent years because the Kurdish problem, has become so visible. The language is no longer forbidden. Kurdish music was legalised in Turkey last year. There are now two Kurdish-language newspapers.

If an independent Kurdistan is being born, its birth will be long, painful, and very bloody.

Israel to put Union Bank up for sale

By Hugh Carnegy in Jerusalem

ISRAEL yesterday invited bids for a minimum 51 per cent stake in Bank Igud (Union Bank), a small bank with close ties to the diamond industry, as the government moved to speed up the long-delayed process of selling its majority shareholdings in Israel's main banks.

The issue of bank sales and the equally sluggish industrial privatisation programme have acquired greater urgency since Israel's bid to win $10bn in US loan guarantees foundered. The guarantees were to aid absorption of Jewish immigrants from the former Soviet Union, but the bid foundered on Israel's refusal to freeze Jewish settlements in the occupied territories as a condition.

Not only are the proceeds needed to help fill the huge funding requirements of immigration. Such reforms of the economy are also seen as vital in persuading foreign borrowers to lend to Israel despite the absence of the US guarantees.

Union Bank, estimated to be worth about $100m, is the second bank to be put up for sale. It is part of a process to reverse the government's acquisition following a bank share collapse in 1983 of majority, but non-controlling, holdings in the leading banks. Once sold, the holdings will have full voting rights. Bids are due by the end of April for a 26-51 per cent stake in Bank Mizrahi, the country's fourth largest bank.

The authorities have taken advantage of the sales process to strip out Union Bank from its parent, Bank Leumi. Under an agreement with the existing Leumi management, the parent will not be allowed to bid for Union Bank, which announced a net profit in 1991 of Shk19.2m (£4.1m) after barely breaking even in 1990. In return, half the proceeds of the sale will go to Leumi.

After selling off Mizrahi and Union, the government intends later this year to float a 10 to 15 per cent share of the "big two", Bank Hapoalim, currently controlled by the Histadrut trade union federation, and Bank Leumi, controlled by the Jewish Colonial Trust, on the Tel Aviv stock exchange. This is intended as a prelude to later offerings on foreign stock exchanges and the eventual private sale of a controlling stake in the two banks.

At the same time, the government aims to place privately a majority stake in Israel Discount Bank, the number three bank, and float publicly its 42 per cent stake in IDB, the investment company to which Discount Bank was recently tied.

Rocket failure cuts China's space edge

By Daniel Green and Yvonne Preston

THE failed launch of the Chinese Long March 3 rocket on Sunday, seen by millions on live television, was more than just embarrassing for Beijing. It could undermine China's efforts to take a slice of the lucrative international commercial satellite launch market as well as raising costs and causing delays for the whole of the satellite industry.

China is a new arrival in an industry ripe for increased competition. Business is booming but there are only five players in the world: General Dynamics of the US, Europe's Ariane, Russia's KB Salyut with its Proton rocket, Japan's H2 rocket and China.

So operators of satellite services are desperate to maintain or raise the number of launch suppliers. Intelsat, the international satellite communications consortium, has a policy of spreading contracts to increase the number of suppliers. Mr Olaf Lundgren, the secretary-general of Inmarsat, the 64-member consortium which specialises in mobile communications systems says: "It would be very worrisome for there to be less competition".

China, and Russia, are selling on price. European or US launches cost $50m-$75m each while China charges less than $40m (£23m) per satellite.

The price advantage has meant a promising start. China joined the competition for commercial launch services in 1987 and its first successful launch was for a French company. In April 1990, Long March 3 put a 24-transponder communications satellite, AsiaSat-1, into space for a Hong-Kong based consortium.

The programme has had problems, however. In December, a launch failed to put its satellite in to the correct orbit. Sunday's was intended to restore confidence.

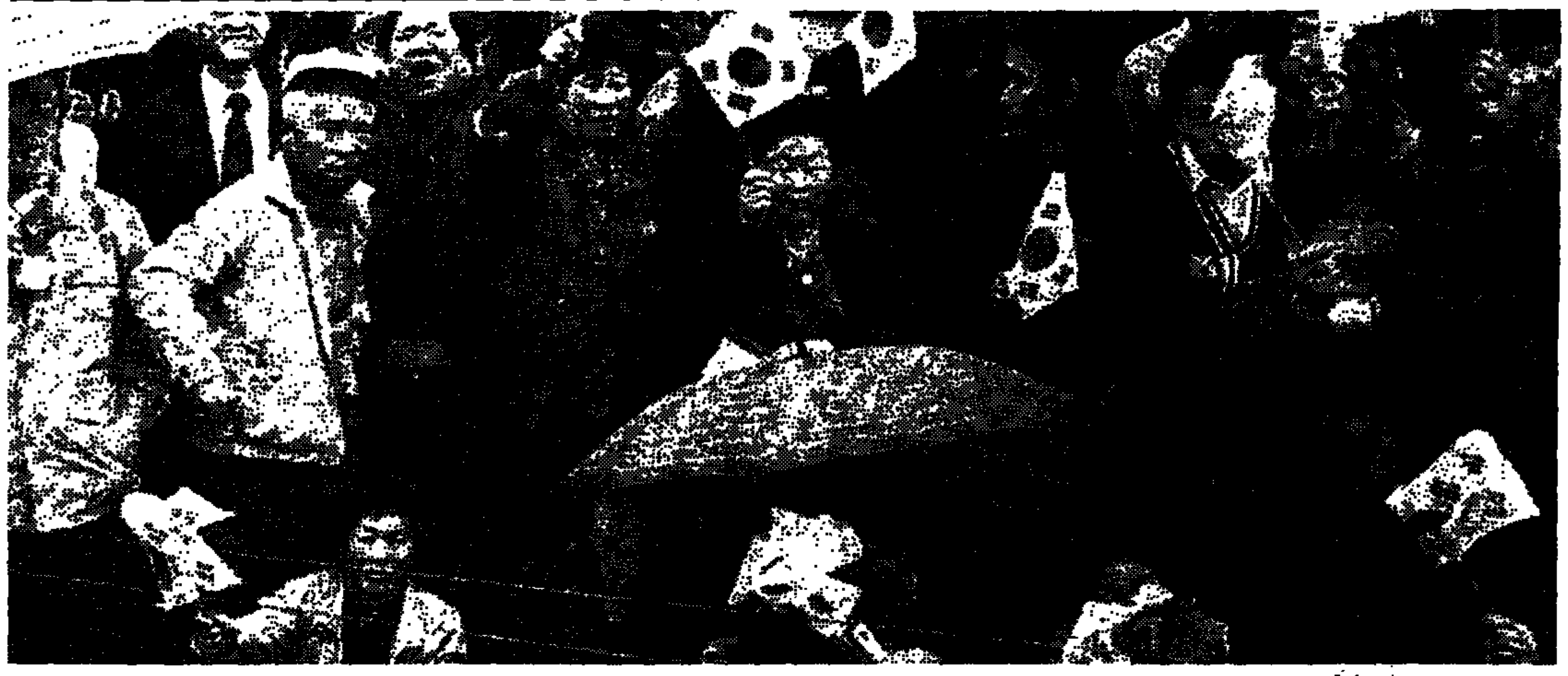
If Long March 3 turns out to be unreliable, then satellite operators and their customers in telecommunications and broadcasting face the prospect of relying more on high cost western suppliers. They will also have to reschedule launches and learn to live with the delays to new services.

This prospect has not yet upset the timetable for Long March 3. One Swedish and two Australian satellites are due to be launched this year and the order book stretches into the late 1990s.

China denies subsidising the industry. The Great Wall Industry Corporation, responsible for the commercial launch business, attributes China's low prices to low costs of materials and labour.

Price is not everything: since each satellite costs around $100m, with insurance adding 15-18 per cent, operators need reliability too. New competitors are likely to put in an appearance. Ukraine and Kazakhstan, once part of the Soviet Union, have formed their own space agencies. India and Israel have launch vehicles too.

China must move quickly to reassure existing and potential customers it is in the first division of suppliers. Optus, the Australian satellite operator, is confident the next launch attempt will be in weeks.



Waving the flag: supporters of South Korea's opposition Democratic Party shout for joy yesterday during a rally in Seoul

Hyundai founder's shadow looms over poll

Chung's party has tapped fears for S Korea's economic miracle, writes **John Burton**

MR Chung Ju Yung, the founder and former chairman of Hyundai, the South Korean conglomerate, is casting an imposing shadow over the country's parliamentary elections, which take place today.

When Mr Chung formed his Unification National Party (UNP) in January, government officials dismissed it as a quixotic attempt to challenge the ruling Democratic Liberal Party (DLP) of President Roh Tae Woo.

But Mr Chung may now be able to help prevent the DLP getting a parliamentary majority, with the UNP possibly holding the balance of power in the 299-seat National Assembly.

The outcome of today's polling is uncertain, with 40 per cent of the voters undecided on the eve of the election. The turnout is expected to be relatively heavy at 77 per cent, which is expected to benefit the opposition parties.

The DLP claims it is leading in 45 per cent of the constituencies, while the main opposition Democratic Party says it will capture a third of the seats, mainly in the south-eastern region of Cholla.

Mr Chung's UNP claims it will win at least 13 per cent of the electoral districts. It has tapped middle-class fears that South Korea's economic miracle may be waning as a result of the present government's policies. The DLP now has two-thirds of the assembly seats, while the Democrats have 63.

Although the country achieved a growth rate of 8.6 per cent last year, it is plagued by an inflation rate of 10 per cent and a soaring trade deficit of $8.8bn (£5.08bn).

The implicit argument of the UNP is that South Korea will achieve its economic salvation as long as the government does not interfere with the chaebol, the powerful industrial conglomerates that include Mr Chung's Hyundai.

The government has tried to streamline the chaebol's activities in an attempt to increase competition in the domestic market. Measures so far include a directive requiring the chaebol to restrict their control to three core areas and to reduce or sell non-core operations.

Mr Chung is taking a gamble in challenging the government. The Chung family has already been the subject of a tax evasion investigation and was forced to pay $181m in back taxes and penalties last autumn.

They charge that the investigation was politically motivated. Hyundai subsidiaries have since alleged that the government is trying to restrict credit to them as a result of Mr Chung's political activities.

Mr Chung and the Hyundai group could face further retribution from the government if the UNP fails to secure a firm parliamentary position. But that threat appears to be receding as the UNP's campaign attracts voters.

The biggest casualty of the elections could be the presidential hopes of Mr Kim Young Sam, the former opposition leader who merged his party with President Roh in 1990 to give the government a parliamentary majority.

Mr Kim had been expected to be anointed as the DLP's candidate for the presidential election in December. But a poor election showing by the DLP could give his rivals in the party the chance to deny Mr Kim the nomination. Mr Kim is heading the parliamentary campaign as the DLP's executive chairman.

If the nomination goes to a rival – possibly Kim Jong Pil, another opposition leader who joined the DLP in 1990, or Park Tae Joon, the leader of President Roh's faction in the DLP – Mr Kim might pull out of the DLP. This would leave the government with a minority of seats in the National Assembly, even if it achieves a majority in today's voting.

Mr Kim's departure would also probably end the government's hopes of creating a dominant political party that would guarantee stable one-party rule like that of Japan's Liberal Democratic Party.

The spoiling tactics of Mr Chung may cause the government greater chaos than even he would have dared believe.

UN says Iraq has destroyed Scud missiles

By Mark Nicholson, Middle East Correspondent

UNITED NATIONS ballistics inspectors in Iraq have confirmed that Iraq has destroyed and buried a number of Scud missiles and other weapons which they had failed to declare to the UN until late last week.

UN officials are also studying plans submitted by the Iraqis for the destruction of manufacturing equipment related to its Scud missile programme – equipment Iraq had refused to destroy during a previous UN inspection.

However, UN officials said it was "too early to tell" if Iraq was going to hold good to its promise, made in a letter to the UN special commission charged with eliminating Iraq's weapons of mass destruction last Friday, to make "full, final and complete" disclosure of its weapons of mass destruction.

A 35-strong team of inspectors reported finding evidence of destroyed missiles in three sites. Mr Derek Boothby, the team leader, said his investigators would visit several more sites in the next few days.

Iraq is believed to have declared the secret destruction of around 100 Scud missiles in addition to the 62 found and destroyed by previous UN ballistics inspectors.

However, while UN officials remain sceptical that Iraq has in fact revealed all its Scud missiles, Mr Tim Trevan, spokesman for the Special Commission, said that the latest revelations are "credibly" close to western estimates.

Mr Trevan added that UN officials doubt that Iraq will make further substantial revelations about its weapons programmes until after the Eid al Fitr celebration to mark the end of Ramadan in the first week of April.

Move on HK military land

BRITAIN IS trying to break a deadlock with China over the future of land in Hong Kong now used by British forces after Beijing assumes sovereignty over the territory in 1997, Simon Holberton writes from Hong Kong.

Beijing wants to decide the future of all military land. Britain wants to pass surplus acreage to the Hong Kong government, for use in new development. It also has no wish to see People's Liberation Army troops stationed in the centre of Hong Kong.

However, Britain is understood to be ready to offer China possession of the Prince of Wales building, headquarters of British forces, on Hong Kong island. The Tamar naval base, of which the Prince of Wales building is part, would be a valuable development site.

An angry church confronts a troubled state in Kenya

Recent violence is feared to be related to official warnings of the danger of multi-party politics, writes **Michael Holman**

BURSTS of applause punctuating a passionate speech and ice-cream vendors hovering on the edge of the crowd created the atmosphere of a political rally.

In fact, angry church was confronting troubled state at Nairobi's Holy Family Minor Basilica, where Sunday's huge congregation had spilled over into the forecourt. Reading from a pastoral letter, the Roman Catholic Archbishop of Nairobi, Cardinal Maurice Otunga challenged President Daniel arap Moi's commitment to multi-party politics, and accused the government of instigating the violence in western Kenya that has cost more than 60 lives over the past three weeks.

Balance of payments (SDRs m)

	1990	1991	1992
Exports	740	755	860
Imports	1,702	1,618	1,745
Trade deficit	962	863	885
Net services	341	324	380
Net transfers	275	235	230
Current account	-346	-304	-275
Net capital	238	208	230
Overall balance	-108	-96	-45

1SDR = $1.36 Source: Kenya government

The near-euphoria that greeted the repeal last December of the ban on opposition parties has gone. In its place are growing doubts about Kenya's capacity to manage the transition to democracy. Recent riots in Nairobi, tribal clashes in the west, an economy in difficulties, and continuing aid donor dissatisfaction with government policies are putting the 68-year-old president and the ruling Kanu party under severe test.

Last year's expectations of an early general election have proved wishful thinking. "When he ended one-party rule," says one critic, "we weren't sure whether he was being a Kaunda or a Mobutu" – distinguishing between the former Zambian president's acceptance of defeat in a general election last October, and President Sese Seko Mobutu's determination to cling to power in Zaire.

"We are starting to think that he is a Mobutu," he said.

President Moi's warnings that multi-party politics would lead only to inter-tribal violence have started to look like a self-fulfilling prophecy, designed to delay – perhaps indefinitely – an election Kanu seems increasingly likely to lose.

The ban last week on political meetings – intended, says the government, to stop the violence, not curb debate – fuelled suspicions. They are apparently shared by the country's Roman Catholic bishops.

"Well-trained bandits," the pastoral letter claimed, were responsible for the killings in western Kenya, where members of the president's minority Kalenjin clan have clashed with Luo and Luhya tribes.

The killings were "part of a wider political strategy", claimed the bishops: "The whole issue is officially presented to the public as a clear sign of the failure of the multi-party system in this country."

Yet even if the government could in this way stifle the opposition, economic and political imperatives have caught President Moi in a squeeze.

The first set of pressures is external. Western assistance to Kenya is vital, with the proportion of grants to gross domestic product rising from 1 per cent in 1986 to 3 per cent in 1990.

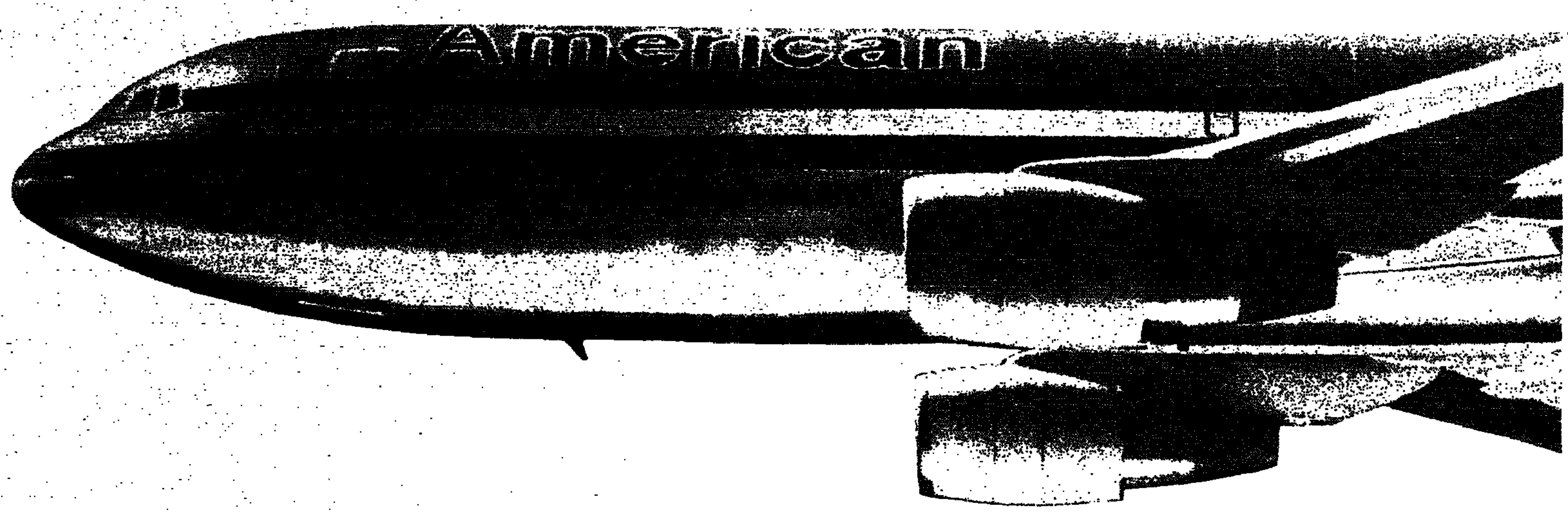
During the 1980s Kenya covered its US$3bn accumulated budget deficit with disbursements from the World Bank and bilateral donors. The same donors turned this assistance into leverage last November, insisting at a meeting in Paris that new aid would be conditional on faster implementation of economic and political reforms.

The bind Mr Moi now finds himself in is that the economic measures expected of him – such as trimming the overstaffed state bureaucracy and charging for social services – will free held-up aid, but will count heavily against him at the ballot box.

Meanwhile other internal economic pressures, coming on top of high unemployment and weak prices for tea and coffee, the two leading exports, are mounting. Poor rains have made it likely that Kenya must import 500,000 tonnes of maize this year. But strained relations with donors will make concessional supplies difficult to obtain.

And the tourist trade, the largest foreign exchange earner, may be hit by the international publicity given to recent attacks on tourists (albeit a handful out of the 750,000 visitors each year).

The only way out, most western diplomats believe, is for Mr Moi to bite the bullet and call an election: "Only the president," said one ambassador, "can set the positive tone for which the country cries out."



Fly One. Get Two Free.

Join American Airlines AAdvantage® travel awards programme and earn more free travel than ever before. Now you can earn up to two free return tickets when you fly UK-US on American Airlines between now and June 15, 1992.

Free UK to US return.

All AAdvantage members flying American Airlines on a full fare return ticket in any class of service will automatically receive a free return ticket for their next trip to the States. Simply fly American from the UK to the US between now and June 15, 1992. Your free return trip must be taken between September 16, 1992 and February 28, 1993. Standard AAdvantage travel restriction dates will apply.

Here's the type of return ticket you will receive based on the class of service flown:

FLY	RECEIVE
First Class return UK-US	Business Class return UK-US
Business Class return UK-US	Main Cabin return UK-US
Main Cabin return UK-US	Main Cabin return UK-US

Free UK to Europe return.

As part of our new expanded AAdvantage programme benefits for UK travellers, AAdvantage members travelling First or Business return to the US between now and June 15, 1992 will earn an additional bonus – enough mileage to earn a free return Main Cabin ticket to Paris, Amsterdam, Brussels, Dusseldorf or Luxembourg*.

To enjoy added travel options worldwide, join American Airlines AAdvantage travel awards programme today. It's free – just call our reservations office on 0800 010151 to enrol instantly and begin earning free worldwide travel.

AmericanAirlines®

Something special in the air.™

Offer not valid on discounted Main Cabin fares and not available in conjunction with any American or other airline's discount, coupon or promotional offer, including AAdvantage travel awards. Any departure fee, immigration fee or tax liability is the responsibility of the AAdvantage member. Certificates for free transatlantic trip will be automatically mailed to the AAdvantage member in August, 1992. UK-US certificates are not transferable except to family members with the same surname. Other restrictions may apply. AAdvantage is a registered trademark of American Airlines, Inc. American Airlines reserves the right to change the AAdvantage programme at any time without notice. AAdvantage travel awards, mileage accrual and special offers subject to government regulations. *Travel will be on British Airways. Limited seating, blackout dates and other restrictions apply to travel on British Airways.

Kohl sees clear signs of movement in farm talks

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl of Germany returned yesterday from his talks with President Bush in Washington, insisting he detected clear signs of movement in Gatt's farm trade liberalisation talks.

At the same time, he flatly rejected calls for Germany to put pressure on France to compromise in the fight over how far to cut the subsidies and quantities of EC farm exports. "We have made progress, but we have still not made the grade (necessary to reach a final agreement)," he declared.

Mr Kohl rejected suggestions that President Bush would be happy to allow the talks to drag on until after the US elections, or that President François Mitterrand of France would prefer a failed Gatt round to a successful compromise.

"President Bush wants the Gatt round to be brought to a successful conclusion by the end of April, just as President Mitterrand and I and the other partners in the EC do. We must have a compromise, and that means all the participants will have to make concessions."

As far as France was concerned in resisting more EC concessions. "I am not ready to put pressure on one member of our Community. It is a common affair and we should not single out one country. Anybody who knows French politics should know that would be a fatal thing to do."

Mr Kohl suggested that the three key areas for compromise concerned cuts in EC exports (in quantity and level of subsidy), control over US cereal substitute exports to the EC (Germany wants a total freeze), and securing European farm income subsidies as part of the continuing reform programme.

A German official involved in the talks said two conclusions emerged from the talks with Mr Bush: both sides were absolutely determined to reach an end in April; and compromise could only be found in flexibility on both sides. "This movement is certainly to be seen." But he declined to say just where.

Mr Kohl expressed his determination that the Gatt talks should not dragged on until the Group of Seven's economic summit in Munich in July. "If we do not have an agreement by then, we will not be able to solve it in Munich either."

US risking Round over services, says EC

THE EC, on the defensive over farm subsidies in the stalled Uruguay Round trade talks, has accused the US of imperilling the talks by refusing to apply multilateral trade rules to services, Frances Williams reports from Geneva. EC officials said yesterday the US was seeking wide exemptions for its services sectors from the basic fair trade principle that liberalisation measures should apply without discrimination to all trading partners.

The US proposes it be exempted from most-favoured-nation (MFN) treatment on maritime transport, financial services, air transport and basic telecommunications. Brussels says the four sectors make up perhaps three-quarters of world services trade. The US stance may be seen as an attempt to press the EC to compromise on deadlocked farm trade talks, officials said.

US officials say that, excepting exemption for maritime transport, the proposed derogations are negotiable and could be withdrawn if trading partners make better offers to open their markets.

The US, EC and 40 other countries have indicated the sectors where they wish to take MFN derogations. Exemption would allow nations to keep their markets closed, or open only to partners with reciprocal arrangements. Main US targets for market-opening are financial services of Japan and important developing countries, basic telecoms markets in almost all trading partners, and the EC audio-visual market. The services talks are due to finish this month, ready for an Easter end to the Round – an increasingly unlikely deadline.

● The US could seek trade sanctions against the EC unless Brussels reforms the way its subsidises oilseeds farmers or renegotiates trade concessions to the US, Reuter reports from Brussels. A panel appointed by Gatt has criticised the EC system of subsidising the producers. An extract from its report says Gatt members should act against the EC if the US asks.

Secret Nafta draft shows big obstacles remain

By Damian Fraser in Mexico City and Nancy Dunne in Washington

A SECRET composite draft of the proposed North American Free Trade Agreement, leaked over the weekend in Washington and Mexico, suggests that while some progress was made by the time of a high-level February 21 meeting in Dallas, huge obstacles remain.

A spokesman for the US trade representative said the negotiators had made more progress since the text was completed. Differences are expected to narrow further in talks between top negotiators from the US, Canada and Mexico and their technical advisers, meeting in Washington yesterday.

Release of the draft could undermine the stance of the negotiators, who have conducted the talks in secrecy to avoid political controversy as long as possible. Mexico has refused to reveal how well the treaty is going, where agreement has been reached, and where differences lie. In Washington, Mrs Carla Hills, US trade representative, has offered little detail, but last week insisted the talks were moving faster than any multinational negotiation she had ever seen.

The environmental groups, which released the text and who will have some influence on whether or not it gets congressional approval, complained that food safety, health and environment standards were similar to those contained in the Uruguay Round draft, which they oppose. But as a concession to them, the section on investment leaves open the possibility that "language on the environment may be provided for this chapter."

The draft showed no final agreement on areas such as agriculture, financial services, treatment of foreign investment or rules of origin. Two sectors, cars and energy, are omitted from the leaked documents. The US is pushing to open petrol stations in Mexico to sell American petrol. Some 80 per cent of the text contained brackets, but this is common until the end of most trade negotiations.

The US and Mexico seemed near accord on textiles. Dates of quota expirations are left blank, but the two agree to phase out customs duties and refrain from new curbs. US officials have said a gap still exists between Canada and the joint US-Mexican proposal. In other areas, the text revealed:

● Mexico insists on full market access for its banks in Canada and the US, while US and Canadian banks would have to have a commercial presence in Mexico through licensed Mexican subsidiaries. In the past month, Mexico has agreed to open its financial sector in 1995, slowly increasing foreign market share to a maximum 15 per cent in 2002.

● Mexico asks the right to adjustment programmes for its farmers without being subject to countervailing duties. It says farm supports should be "at most minimally" trade distorting, and requests exemption from US sugar quotas.

Japan's trade 'umpire' thrives on tension

FTC chief views corporate complacency as his worst enemy, writes **Robert Thomson**

DON'T be "a Ness". This advice was given to Mr Setsuo Umezawa, chairman of Japan's Fair Trade Commission (FTC), whose pursuit of cartels and other corporate foul play has led to comparisons with Elliot Ness, Al Capone's crime-busting enemy.

Mr Umezawa savours the tension his commission has created among Japanese companies, and explains that past responsibilities as a tax investigator and as head of the National Tax Agency had taught him corporate complacency could be his worst enemy. "I remember just after the war, we tax officials were told about the importance of tension, and those words have stayed with me. There should always be a sort of tension between the investigator and the investigated."

The rise of Mr Umezawa, 61, was partly prompted by trade friction between Tokyo and Washington, which argued that Japanese companies routinely set up cartels and excluded outsiders from markets. But the chairman argues that US pressure for a bigger FTC budget and a toughening of his investigation division had impact, because the demands coincided with similar sentiments within Japan.

"The US-Japan connection is important. We in Japan are a part of the world economy and have to be in harmony with international standards. At the same time, Japanese government policy is becoming more consumer-oriented. Japanese industry was encouraged and the economy developed, but consumers didn't feel they had benefited."

Consumers may feel the wealth are yet to be fairly shared, but Japanese companies have been startled by the determination of Mr Umezawa and his investigators. In 1988, a year after he became chairman, the FTC launched 126 investigations and issued five cease-and-desist orders. Last year, there were 155 new cases and 24 formal orders. The commission imposed Y11bn (£48m) in surcharges last March on cement companies for price fixing. Criminal charges were filed in November against plastic wrap makers and their employees for fixing foodwrap prices. The eight companies, controlling 97 per cent of the Japanese market, admit they held meetings to discuss market trends and plan price rises.

While the FTC has been accused by Japanese executives of working in Washington's interests, US officials are not satisfied by the monitoring of anti-monopoly laws and want the commission to tackle the *keiretsu*, the Japanese corporate families. There are two main types: the vertical, where a top industrial company has layers of contracted suppliers filling its orders and of distributors selling its products, and the horizontal, where an industrial group has extensive cross-shareholdings and management ties with a family of companies.

Umezawa: has prompted comparisons with Elliot Ness

Mr Umezawa insisted the *keiretsu* were not a violation of anti-monopoly laws. He said a US study had shown the structure of Japanese car makers' *keiretsu* was not founded on exclusion, but on efficiency. "For some US people, the word means monopoly. But the structure of the *keiretsu* is very different, and corporate groups have loose ties. We have looked at the manufacturer-type (the vertical) distribution, and we told car makers they couldn't require retailers' prior consultation on selling other vehicles."

That FTC instruction resulted in changes to contracts between maker and retailer not long before President Bush's controversial trip to Japan, but US manufacturers say that while the words are different, the spirit of the exclusive relationship stays unchanged. Mr Umezawa is aware of the criticism. "We will survey actual conditions as well as contractual clauses."

He has just finished several weeks' talks with the ruling Liberal Democratic Party on toughening fines for anti-monopoly violations, which the FTC reportedly wanted to raise from the present maximum Y5m to Y300m.

Corporate executives had demanded the LDP intervene, and senior party members began talks with the FTC. The result was a Y100m maximum fine, which the US called insufficient, but which Mr Umezawa considers the result of compromise needed to ensure the legislation would be considered by MPs. "The new fine is 20 times higher than the previous maximum, and we established an important consensus about the need for tougher punishment."

Sikorsky, Mitsubishi study plan for 19-seat helicopter

SIKORSKY, the US helicopter maker, part of the United Technologies group, is studying with Mitsubishi Heavy Industries of Japan the development of a 19-seat civil helicopter, Paul Betts writes. The S-92 helicopter would be the first civil helicopter programme launched by Sikorsky since 1978 and would replace the S-61 the company produced between 1962-1981.

Mr Mike Baxter, Sikorsky's vice-president of international and commercial business, said Mitsubishi had not yet committed itself to a joint venture. But Mitsubishi, a Sikorsky licensee during the past 30 years, has agreed to study the potential market.

Sikorsky said other potential partners in Asia and Europe were interested. The US group is expected to decide whether to launch the programme by the end of this year.

The US-led helicopter programme would compete against plans by Eurocopter, the new European helicopter group which has absorbed the helicopter activities of Aérospatiale of France and Germany's Messerschmitt-Bölkow-Blohm, to develop a new version of Aérospatiale's Super Puma helicopter, the Mark 2. Sikorsky is expected to target the offshore oil industry for its new helicopter.

ELECTION 1992

Labour unveils proposals for London

By David Owen

LABOUR yesterday played down its plans to remove the Corporation of London's local-government powers over the City as it launched its manifesto for the whole of London.

The 10-page document did not mention the proposed transfer of powers, although the party later insisted it would implement the plan. It described the transfer as "not a high priority".

The party also predicted that its proposed strategic London government would be in place within about two years.

The cost of the body would be met partly by taking over the budgets of the joint boards which have replaced the Greater London Council. Mr Bryan Gould, shadow environment secretary, said joint-board functions and budgets would be taken over by the proposed Greater London Authority "in most cases". The rest of its funding would be provided by government grant.

The authority is the centrepiece of Labour's plans for the capital. They also involve a new London Development Agency and a range of transport measures, including reforms to maximise the use of travel and network cards and new regulation of taxis and minicabs.

Mr Gould said the authority would be elected by "a new and more proportional electoral system" guaranteeing equal representation for women. It would have approximately half the number of elected members the GLC had.

The GLA would be the basis of a wholly elected London police authority. Labour wants the authority to be based at County Hall, the former GLC headquarters. Its planned sale to a Japanese developer was announced earlier this week.

The Conservative London manifesto, unveiled last week, proposes a cabinet sub-committee for the capital, a London transport minister and a private-sector forum to advise on promoting the city as a cultural and business centre.

The Liberal Democrats want a strategic London authority to be elected by a system of proportional representation.

Editorial comment, Page 20

An important edge lies with the local hero

Loyalty counts with Lancashire voters, Roger Matthews reports

ONLY in the nationalist heart of Lancashire might someone instantly recognise what Butch Cassidy's father and Sir Cyril Smith have in common. There the accident of birth matters.

But an even more important test, which Mr Cassidy senior so dismally failed and Sir Cyril gloriously passed, was local loyalty – whether you stayed or whether you left. It is an issue which in the next three weeks will have an impact on which political party forms the next government.

Rochdale, the four marginals immediately to the north of it and the rogue seat of Ribble Valley will on April 9 all reveal in their different ways whether a personal following can offset a national trend.

While Ribble Valley, which a year ago delivered a by-election rebuff to the Tories, should revert to the Conservative camp, Rochdale, Rossendale and Darwen, Hyndburn and Pendle are all seats Labour would win with a swing of 5 per cent.

The Liberal Democrats have gambled in choosing the actress Liz Lynne to defend Sir Cyril's 2,799 majority at the last election. She has sought to become as local as it is possible to be without having been born and brought up in Rochdale. Sir Cyril, though initially hesitant, now appears more convinced that she could be a worthy successor.

But party workers on all sides know that since he won the seat in 1972 Sir Cyril drew votes from Labour and Conservative. With his retirement, they believe many of those voters may well revert to their 'national first choices.'

The Labour party is confident that the constituency remains instinctively socialist and that recession, together with the feeling that the time has come for a change of government, will be enough to give Mr David Williams the seat.

But the Labour candidate is not without critics. A local councillor for 13 years, he is closely associated with controversial policies on land sales and devolving council services. The depth of his hostility to the Gulf war and to the poll tax may have frightened off as many voters as it won adherents among the sizeable Asian Moslem community.

Up the road in Rossendale and Darwen, the influence of Sir Cyril and Rochdale persists. Mr David Trippier, minister of state for the environment, a Rochdale man who fought against, admired and learned from the former MP, is defending a majority of 4,982. Ms Janet Anderson, his Labour opponent, looks to have made one of the fastest campaign starts in Lancashire but will need all the momentum she can sustain to unseat a man whose local ancestry is impeccable and who has since 1979 become practised at the tactics of defending a marginal.

Mr Trippier argues that voters in marginal seats appreciate their national responsibilities and are therefore less likely to be easily swayed. He and Mr John Lee in nearby Pendle took their seats in 1979 with smaller-than-expected swings and would like to emulate Mr Kenneth Hargreaves in Hyndburn. Against the national tide, Mr Hargreaves turned his majority of 22 into one of 2,220 four years later.

In Ribble Valley, Mr Nigel Evans, a Welshman, has had a year to ponder the effects of poll tax, recession and not being from the region. Conservative workers say he has grown on people, is more widely accepted and can be sure of removing Michael Carr, the Liberal Democrat MP, by a margin of some 8,000-10,000 votes – still only half the Tory majority in 1987. Better, they say, to have a Welshman representing Ribble Valley than one living in 10 Downing Street.

That, for north-east Lancashire, is not necessarily a winning argument. Even some members of the younger generation remember that Gracie Fields, once she became famous, virtually abandoned Rochdale for the less obvious pleasures of Capri, but that George Formby remained forever a part of Lancashire and was loved for it.

Sheltered environment: Darwen, in the constituency of practised marginal defender and local man David Trippier

View from: Washington

Different strokes for similar folks

IT WAS purely coincidental that on March 11 President George Bush held a press conference only hours after the British general election was called. What was remarkable, given the subdued level of interest in British politics in this country, was that he was asked a question about it.

That question was predictable, and could have been asked – indeed, might even have been invited – when Mrs Margaret Thatcher and President Reagan were in office. It was whether or not the president was concerned that the Labour party, saddled with – by implication – unsound foreign and defence policies, might win.

Mr Bush responded artfully, praising Mr John Major as a solid partner in the western alliance but adding that the worst thing he could do was to be seen to intervene with a preference in any important foreign election. Some thought that his praise of Mr Major amounted to just that.

Obviously, a conservative administration in Washington prefers a conservative government in London. As vice-president and president, Mr Bush has dealt with the Thatcher and Major governments for more than 11 years. There is no reason to doubt that his personal relationship with Mr Major is close and warm.

However, the president was also diplomatic enough to welcome Mr Neil Kinnock to the White House in 1990 and to say that if the Labour leader became prime minister, he would welcome the opportunity to do business with him.

Mr John Newhouse, a staff writer with New Yorker magazine, says: "Major is fuzzily regarded as a good thing while Kinnock did not make a very good impression." But he adds: "I don't think Kinnock's the sort who would frighten our children."

He also notes that "we are both having [elections] at the same time, which is unusual" – the last time there were general elections in the same year was 1964 – "and they do make us inward-looking".

Comparisons between the two incumbents are commonplace. Both succeeded distinctive leaders, both head parties well into the second decade of executive power, both have oppositions moving towards the centre, and both preside over weak economies. Both have also had to endure much sniping from the right wings of their respective parties.

However, the probability is that the US economy will "come right" for Mr Bush later this year in a way that it cannot for Mr Major before April 9. Both leaders – in the British Budget and in Mr Bush's war with Congress over a reflationary package – claim that they have turned their economies around, with the principal platform of not increasing taxes.

If the Tories lose, it might be seen as a harbinger for Mr Bush and the Republicans. But the political differences between the two countries are so great as to make such conclusions very speculative. The British embassy reports that it spends most of the time devoted to the UK election explaining these differences, but concedes that it has not been inundated with requests for clarification.

However, honesty also requires reporting that nothing in the British campaign has attracted America's attention as much as the end of the marriage of the Duke and Duchess of York. That is a real story.

Jurek Martin

Rise in exports fails to close UK trade deficit

By Emma Tucker, Economics Staff

EXPORTS and imports rose sharply last month, leaving the UK current account deficit, despite a fall on the month, at at higher than expected levels.

The value of exports rose 8.5 per cent in February over January, while the value of imports rose 6.5 per cent, leaving the current account deficit narrower at £750m in February, against January's £858m.

The increases in both exports and imports were welcomed by the Conservative party as evidence that the economy was recovering.

Mr Norman Lamont, chancellor of the exchequer, said the increases in UK manufactured exports were "encouraging" and forecast that the deficit for the year would be "very much in line with prediction". Mr John Major said the rise in imports showed that domestic recovery was under way.

But economists said the inability of the UK to eliminate its deficit during a deep recession meant that the balance of payments could deteriorate once recovery began and spending sucked in imports.

Mr Neil Kinnock, the Labour leader described the month's figures as "quite dreadful", saying they showed that Britain's economy was "at best, flat and possibly still slipping backwards".

Figures from the Central Statistical Office showed that the total value of exports for February was £9bn – the highest since last August – while imports rose to just over £10bn, the highest since June 1990.

Measured by volume, in the three months to February, imports rose faster than exports, rising by 3 per cent against a 1.5 per cent growth in export volumes.

The surplus on invisible earnings such as banking, insurance and tourism, was estimated at £300m, the same as in January.

Weaker trade in oil and erratics such as precious stones and aircraft, left the deficit on visible trade above £1bn for a second consecutive month, although it improved to just over £1bn in February from £1.2bn in January.

On a three-monthly basis, the current account deficit worsened slightly, rising to £1.7bn for the three months to February, from £1.1bn for the three months to November.

Ashley Ashwood

The pay rise for gas chairman Robert Evans, above, has been branded 'unrivalled greed'

Big pay rise for British Gas chief prompts angry reaction

By Deborah Hargreaves

BRITISH Gas, the UK supplier and distributor, yesterday announced a 17.6 per cent pay rise for its chairman, Mr Robert Evans, sparking controversy over salaries for top executives at a time when the government is urging wage restraint.

Mr Evans earned £435,222 last year compared with £370,083 the previous year, including a bonus related to earnings per share of some £84,512. The company made after-tax profits of £1.16bn last year resulting in earnings per share of 27.3p.

The news of Mr Evans' pay rise unleashed a strong attack from the opposition Labour party. Mr Frank Dobson, the party's energy spokesman called it "another example of the sheer unrivalled greed which has been let loose by setting up privatised monopolies."

British Gas recently agreed a pay increase of 4.25 per cent with its craft and manual workers.

Mr Ian Powe, chairman of the Gas Consumers' Council, said the increase was particularly insensitive since the company made 70 per cent of its profits from a monopoly market.

The company justified the move by pointing to international rates of pay.

Mr Powe, however, rejected the international comparisons. "You can't compare British Gas with companies like ICI which all face competition in their core markets," he said.

The Office of Gas Supply, the industry regulator, would not comment on the salary increase, but called for the company's salaries committee to be overhauled to give more representation to shareholders.

Tory win 'threatens' arms jobs

By David White, Defence Correspondent

UK DEFENCE manufacturers could face heavier cuts in government spending under the Conservatives than under Labour, according to a report published today.

The report by the Oxford Research Group, an independent organisation devoted to defence issues, says a re-elected Conservative government, committed to curbing public spending, would probably be forced to make substantial reductions beyond those already announced.

A Labour government, on the other hand, would be likely to maintain defence spending or at least delay reductions rather than face widespread redundancies and closures.

"There thus arises the curious situation whereby, although the Conservatives are accusing Labour of planning large cuts in defence, there is a distinct possibility that future cuts could actually be greater under a Conservative government than a Labour one."

The report, on adjustment prospects for defence companies, argues that Labour's commitment to preserving employment would "severely limit" the scope for reducing military spending. It says, however, the role of the Defence Diversification Agency which Labour proposes is not yet well defined.

"Public agencies to exploit military technology for civil use do not have a happy history," it adds.

The report argues that Britain, because of the size of its defence sector, faces a greater adjustment problem than any other European country, but that the government has so far been reluctant to become involved.

"UK industry is not adapting as rapidly as other countries, or as quickly as it could, because there is not a clear enough signal from government on the shape of the future."

Job losses, it argues, cannot be blamed only on the end of the cold war but also on changing equipment requirements and efficiency levels to meet competition.

Shirayama could lose bid to develop London hotel

By Vanessa Houlder, Property Correspondent

THE controversy over the future of County Hall, the empty headquarters of the former Greater London Council (GLC), reached new heights yesterday, when the Labour party said it would reverse the sale of the building, which was agreed yesterday with Shirayama, a private Japanese company.

The outcome of the general election on April 9 will decide whether the building is used as a hotel and leisure centre, as envisaged by Shirayama, or whether it is shared between a Greater London Authority and the London School of Economics, as envisaged by the opposition Labour party.

The contract for the sale, at an undisclosed price, was signed in Osaka yesterday by Sir Godfrey Taylor, chairman of the London Residuary Body, which is responsible for selling the GLC's assets since its abolition in 1986. The deal will not be completed until 1993.

Shirayama, which is being advised by Nomura International, is a family-owned company which owns real estate in Osaka. It was part of the consortium that planned to build a 388 room hotel with the County Hall complex but which disbanded when the County Hall Development Group collapsed in 1990.

BRITAIN IN BRIEF

UK business failures slow in first quarter

The rate of business failures in the UK has slowed down slightly in the first quarter of this year, according to new figures.

Trade Indemnity, a leading independent credit insurance group, says that business failures in the first quarter of 1992 will be around 1,985, an increase of five per cent on the final quarter of last year.

The figures cover all business failures in the UK, other than those of private individuals. The first quarter of the year tends to have the highest number of business failures as companies are hit by a slack market after Christmas and other seasonal problems, including tax demands.

Environmental policy attacked

The head of Europe's third biggest packaging company launched a fierce attack on the main thrust of European environmental legislation concerning the packaging industry.

Mr Hans Rausing, chairman and chief executive of Tetra Pak Alfa-Laval Group, the Swedish packaging and food processing company, said the enormous attention devoted to discussing packaging waste was disproportionate to its environmental impact.

He said household packaging waste constituted less than 2.5 per cent of the total waste generated by society; the vast bulk stemming from the industrial and building sectors.

Earlier, Mr Clemens Stroetmann, state secretary in the German environment ministry, defended the controversial German approach to avoiding packaging waste which was based on the "polluter pays" principle. He said the recycling system that industry was creating to deal with packaging waste was already proving a "clear success".

Workers agree pay freeze

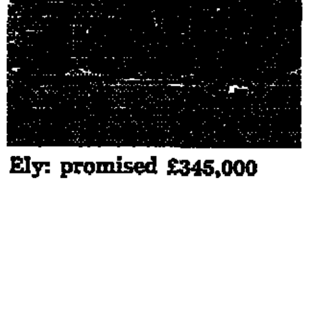
Union leaders of 10,000 workers employed by foundry companies and appliance manufacturers have agreed to a six-month pay freeze in a move which has implications for scores of other engineering employers.

It is one of the first freezes to be agreed by workers whose pay rises are covered by a national multi-company agreement. Since the collapse three years ago of a national agreement covering mainstream engineering workers, many employers in the sector have used the rises agreed by foundry and appliance companies as a guide in their own negotiations.

Ely cathedral gets grant

Ely cathedral in Cambridgeshire has been given a grant of £345,000 by English Heritage this year to help with the £1.4m restoration project on the Norman south-west transept. The work includes repairs to crumbling stonework

A further £345,000 has been promised for 1993-94. The grant is part of a total £5.4m to aid urgent repairs and conservation work at England's historic cathedrals over the next three years.



Ely: promised £345,000

Most charities need managers

Most charities believe more professional management and marketing are needed in the voluntary sector, according to the National Council for Voluntary Organisations.

The council published a survey in which more than half the charities questioned listed better management as their most pressing concern.

The survey results were issued on the eve of the launch of a three-year campaign aimed at increasing public awareness of charities.

EoC fights changed status

The Equal Opportunities Commission is opposing government plans to shift central responsibility for overseeing its work from the Home Office to the Department of Employment. The move was announced last week in the Conservative manifesto as part of a shake-up of government departments for implementation after the election. The EoC, which is wholly funded by the government, has written to Mr John Major, the prime minister, saying it has "reservations" about the move.

Inquiry into smuggling case

Home Office officials are investigating a suspected smuggling ring allegedly bringing illegal immigrants from Germany to Britain after 16 Indians were arrested by police. The inquiry follows an incident at a motorway service area west of London in which a number of Asians were seen clambering from the back of an articulated lorry.

Punch faces uncertain future

The future of Punch, the humorous UK magazine, may be in doubt following reports that owners United Newspapers are seeking a buyer.

Circulation dipped from 175,000 in the 1940s to 33,000 last year. But Mr David Thomas, the editor, said he expected the 150 year old publication to survive.

ELECTION 1992

Major widens attack to trade union legislation

By Alison Smith, David Owen and Ivo Dawnay

MR JOHN MAJOR last night widened his assault on Labour's prospectus for the 1990s by calling the party's proposals for trade union legislation "industrial euthanasia".

The prime minister also used his speech at a rally in Sheffield to reiterate his wish for a "classless society" which he expressed when he became Tory leader in November 1990.

Labour, Mr Major said, would allow secondary strikes, prevent employers from obtaining immediate court orders to stop unlawful strikes and take away from individual union members the right not to take part in industrial action. Labour would stop economic recovery in its tracks and reintroduce mortgage queues.

By contrast the Tories would ensure that unions gave at least a week's notice of a strike and give the public new rights against the disruption of public services by illegal wildcat strikes.

Mr Major – speaking to 1,000 Tories from the Yorkshire area – – attacked Mr Neil Kinnock's remarks yesterday morning in which he committed Labour to reintroducing credit controls.

The Labour leader said his party planned to use credit controls in addition to interest rates to staunch price rises. Housebuyers would rather wait "a month or two" for loans than pay penal interest rates, Mr Kinnock suggested. He said he would use temporary controls if borrowing looked set to rise unacceptably.

Mr Major said Mr Kinnock's policy was a typical socialist answer. "Form a queue. Wait for the state to tell you when you can buy a home," said Mr Major. "Wait for the state to tell you when you can sell your house to someone who wants to buy it."

The credit-control plans were also attacked by Mr Michael Heseltine, environment secretary. He said: "We have always said . . . that mortgages under Labour would be more expensive. Now you are going to have to queue for them as well."

Mr Heseltine predicted that monthly mortgage payments would rise by an average of between £40 and £50 under Labour, because higher interest rates would be needed to protect the pound.

Mr Heseltine lambasted Mr Kinnock's "economic illiteracy", saying it was "utterly incredible that a delay of a month or two" could affect the level of interest rates. "How does he prevent foreign companies lending money across the exchanges unless Labour is also threatening to reintroduce exchange controls?"

Mr Heseltine promised a nationwide rents-to-mortgages scheme which would enable 1.5m local authority tenants to convert their present rent into a mortgage payment.

Mr Major, in his speech also claimed conservatism rather than socialism was the way of breaking down social barriers. He highlighted his vision of "a country in which everyone is able to develop their talent to the full. Our modern Tory party is for each and every person in Britain. We want to banish for ever the artificial divisions in our society."

Quotes of the day

It was so hard on the daffodils
Mrs Thatcher after being attacked by a woman with a bunch of flowers

I'll have to assume the dog was a socialist supporter, but there's no hard feelings on my part – it's all in a day's canvassing for a politician
Nicholas Bennett, junior Welsh Office minister after being bitten by a bulldog-terrier

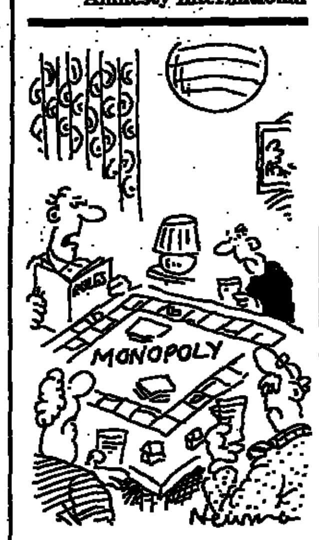
They sit down in London talking about how people on over £32,000 are going to get hit. That is irrelevant to us because we are fighting for £12,000
John Brown, airframe engineer with British Midland Airways

The leader of the Labour party is Karaoke Kinnock. He'll sing any song you want him to. Just press the button and out comes the line to take, inspired not by guiding principles but by the fleeting fads of the moment
Ian Lang, Scottish secretary

We were responsible for melting the Iron Lady, and forcing the scrapping of the poll tax
Tommy Sheridan, candidate for Scottish Militant Labour in Glasgow Pollok

We don't have the sort of life in which we could look after a dog properly these days. Otherwise I would love to have a dog, but it wouldn't be fair on the dog
John Major, asked at a petfoods depot if he would like to own a dog

It is scandalous that not one of the three major parties has raised the issue of human rights thus far
Amnesty International



'If Labour wins the election you have to give the water company back'

Uncertain start forces Tories to change tack

MR JOHN MAJOR has had a rough start to what may prove the pivotal week of the campaign. The strategy shaped around him has looked uncertain and defensive. The prime minister has discovered that rousing receptions from the party faithful cannot insulate him from the bruising exchanges with the media which inevitably follow a Labour opinion poll lead.

There are two roles for a leader during an election: the first is to fire the enthusiasm of supporters; the second to win the votes of the uncommitted. Just 10 days into the campaign, Mr Major has swerved in an attempt to do both.

For months, the senior members of Mr Major's campaign team have been pumping out a single message. The Conservatives would defy economic gravity and win an election in the depths of a recession because the voters liked and trusted the prime minister and feared Labour's tax plans.

Mr Major, the youngest prime minister for a century, would harness the mood for change in the country to the Conservative cause – robbing Mr Neil Kinnock of one of his most precious assets during Mrs Thatcher's leadership. The voters would opt for Mr Major's caring Conservatism rather than Mr Kinnock's wallet-threatening socialism.

The opinion polls still carry the message that the prime minister is one of his party's strongest assets. Voters who blame the government for the recession, decry the poll tax and worry about the health service still speak of "that nice Mr Major".

His popularity, though well below the levels achieved during the Gulf war, has remained consistently above that of Mr Kinnock. The latest NOP poll puts the prime minister's personal-approval rating at 53 per cent, 20 points clear of the Labour leader. The contrast with his predecessor could not be starker. Mrs Thatcher won elections almost in spite of herself. She was adored by party activists and were greatly liked by voters. But her outspoken clarity conveyed to enough of the electorate the message that her policies were right.

Mr Chris Patten, party chairman, and the other senior ministers in charge of mapping out the campaign were convinced that the prime minister should play to his different strengths. He would stand above the fray, while the likes of Mr Michael Heseltine destroyed the Opposition's prospectus. But Mr

John Major's switch to a more strident style is a gamble, says Philip Stephens

John Smith's shadow Budget undercut the ground on tax. Senior ministers realised that if they could not begin to climb back this week the election might be lost before the votes were cast.

The result has been an abrupt change in tactics. Almost overnight, the prime minister who offered a soft-focus vision in which wealth creation and welfare went hand-in-hand has embraced the harsher language of Thatcherism in an all-out drive to discredit the Labour party.

Party strategists acknowledge two serious mistakes in the earlier approach. The first was to forget the simple fact that, during a campaign, about two thirds of the images that a party conveys to the voters are channelled through its leader. So, if Mr Major was excluded from the assault on Labour's tax plans, the Conservatives would be denying themselves their most important link with the electorate on what they regard as the most important issue of the campaign. The second error was a calculation that Mr Smith's shadow Budget could be attacked on its own terms. When he did enter the fray, the prime minister who had advocated a classless society emerged as the champion of the middle classes.

That has now changed. Mr Major has been at the centre of the battle since the weekend and the focus of the attack on Labour's tax policies has been recalibrated to underline the "threat" to the incomes of the skilled working classes – the C2s at the centre of the election battle.

The shift has pleased the party faithful. Their message to Central Office during the opening days of the campaign was that they wanted a more vigorous defence of the party's record in government. But Mr Major's colleagues acknowledge that it is far less clear how the shift will be greeted. Some candidates are already reporting complaints from voters attracted by his less partisan approach.

The new approach has brought another set of problems. Mr Major, inexperienced in election campaigns and lacking the combative rhetorical style of his predecessors, insisted on the switch. But he has sometimes looked ill at ease. Television images of his vituperative attacks on Mr Kinnock have jarred. He has been caught off-guard when journalists have probed the negative campaigning and have pressed him to differentiate his policies from those of his predecessor.

Party strategists insist that both Mr Major and his campaign are now settling into a more comfortable rhythm. But they have lost more than a week of the campaign. If they do not regain the ground, Mr Major risks becoming one the most popular prime ministers to lose an election.

Labour condemns trade figures

By Ivo Dawnay, Political Correspondent

MR NEIL KINNOCK pressed home Labour's claim to be the party of exports and industry yesterday by using a whistle-stop visit to the Midlands to launch a "manufacturing manifesto".

The "Made In Britain" presentation in Birmingham – Labour's first big election news conference outside London – was stage-managed to coincide with publication of the latest trade figures, which showed that Britain recorded a deficit of £750m last month. Mr Kinnock described the figures as "quite dreadful".

He added: "What is really concerning about them is that we have got an economy which is at best flat and possibly still slipping backwards.

"The government should have taken action recommended by the Labour party a long time ago to get an investment-led recovery."

In what is expected to be the party's last initiative on the economy before a shift to its public services' agenda today, Mr Kinnock argued that tax breaks for investment alongside training and employment schemes would "stimulate activity and build confidence".

The Labour leader's case was backed by Mr Gordon Brown, the shadow trade secretary, who unveiled a modest three-point programme of additional steps to flesh out Labour's £1.1bn industrial recovery programme.

The measures included grant aid for engineering investment, an "Inventions in Britain" project to help small companies bring innovations to production, and the creation of regionally-based export advice centres.

Earlier, asked how he would control inflation, Mr Kinnock said that constraints imposed by membership of the ERM, supply-side measures and credit controls would prove adequate to contain price rises. He rejected suggestions that a minimum wage would lead to escalating pay claims.

He backed comments made on Sunday by Mr John Smith, the shadow chancellor, that he would be satisfied by a rate of price rises paralleling the European Community average.

Captive audience: Tommy Sheridan, Scottish Militant Labour party candidate, after his first election press conference in Saughton Prison, Edinburgh, yesterday. Mr Sheridan, standing for Glasgow Pollok, made his name as an anti-poll-tax campaigner. He was jailed for six months after breaking a court order banning him from warrant sales

Lamont rejects criticisms of borrowing

By Peter Norman, Economics Correspondent

MR NORMAN LAMONT, the chancellor, yesterday rejected suggestions that the government was borrowing to finance current expenditure and would have to raise taxes if re-elected.

He said that a report to this effect in The Guardian yesterday was "complete nonsense".

He said government spending plans for the coming year envisaged investment of £30bn when defined as public-sector asset creation. This, he said, was larger than the £28bn that the government said in its Budget that it would borrow in 1992-93.

Speaking on a visit to Birmingham Mr Lamont insisted that the public sector borrowing requirement, which the government expects will grow further to £32bn in 1993-94, would start to decline after the economy had begun to recover. The present large PSBR reflected the impact of reduced economic activity on tax revenues.

He predicted that tax revenues would "turn round" when the economy recovered and that public finances would move back towards balance. Britain's financial position was strong and the tax regime was "perfectly sustainable", he added.

Mr Lamont was in Birmingham to launch his party's campaign in the West Midlands.

The Treasury has produced four definitions of public investment, among which public-sector asset creation ranges most widely. It includes items such as warships that many countries do not categorise as public investment. On the other hand, many aspects of public expenditure, such as education and health, do count as current expenditure rather than investment even though they are contributing to the future welfare of the nation.

Chancellor gets off to poor start

By Peter Norman

MR NORMAN Lamont's appearance in Birmingham to launch the Conservatives' campaign there confirmed him as one of nature's less lucky politicians.

He came to Birmingham to attack Labour's tax plans and publicise the goodies for the car industry in his recent Budget. The start of his day was hardly auspicious. Mr Lamont faced only a handful of journalists at Tory headquarters in suburban Edgbaston.

The chancellor's later photo-opportunities were similarly low-key. "Ask about our redundancy protection schemes", screamed a poster in a Rover dealership where he had gone to present the keys of a new Rover 420GSA to its owner. The purchaser failed to turn up. Instead Mr Kelvin Dignam, aged 65, was the surprise recipient of the chancellor's attentions when he arrived to pick up his rather less glossy model.

"Here's the key. Open the box", enthused Mr Lamont. "Are you giving me this car?", asked a surprised Mr Dignam, who had refused to say whether he would vote Tory "in the light of current events".

Mr Lamont's day improved at lunchtime, where he met sympathetic businessmen. But here too, his fortunes were mixed. Journalists pressed him to explain whether the government really was breaking a "golden rule" of fiscal probity by borrowing to finance current expenditure.

"I have never accepted any golden rules about the PSBR", Mr Lamont complained. This was true. British fiscal policy has no such rule. But the surrounding news sleuths were left wondering: "Why not?"

Smaller parties squeezed in Wales

By Anthony Moreton, Welsh Correspondent

LABOUR appears to be taking votes from the Liberal Democrats in Wales and pulling in front of the Conservatives in several marginal seats, Anthony Moreton writes.

According to an NOP poll conducted for the television company HTV at the weekend, in north Wales Labour may take Delyn from the Conservatives and consolidate its tenuous hold on Clwyd South West. In the south it may gain Cardiff Central and Pembroke and looks likely to hold on to its by-election gains in Monmouth and the Vale of Glamorgan.

Mr Barry Jones, shadow Welsh spokesman, said yesterday that the poll was "very encouraging. The party has taken a significant lead among voters in 12 key constituencies. It confirms what we are finding on the ground."

The survey offers some comfort to the Conservatives because the party is gaining support in seats where there is a three-way split with Labour and Plaid Cymru, the Welsh nationalists. These seats include Ynys Mon and Meirionnydd Nant Conwy, and Carmarthen, where Labour has a majority of 4,317. In particular it might win back Liberal Democrat-held Brecon and Radnor, which has the lowest majority in Britain – 56.

The poll is bad news for the nationalists, who hold three seats in north-west Wales. Both Labour and the Conservatives appear to be making gains at their expense in Ynys Mon, the island of Anglesey where retired incomers have been altering the social mix, and Meirionnydd Nant Conwy, where the MP has stood down.

Of 1,504 voters interviewed between March 18 and 22, 42 per cent said they would vote Labour, an increase of 9 percentage points over the 1987 general election, 33 per cent Conservative (down 2 percentage points) and 14 per cent Liberal Democrat (down 6 percentage points) and 10 per cent Plaid Cymru (down 1).

Golden rule hidden by statistical jungle

Peter Marsh examines whether government borrowing has exceeded investment

THE ROW yesterday over the consequences of a shortfall in tax revenues highlights the fact that the recession and its aftermath will cast a shadow over Britain's public spending plans for the next few years.

The new government will find itself boxed in by likely shortfalls in tax revenues and the large increases in spending already set in train both by the effects of recession and by decisions by the Conservatives over the past two years.

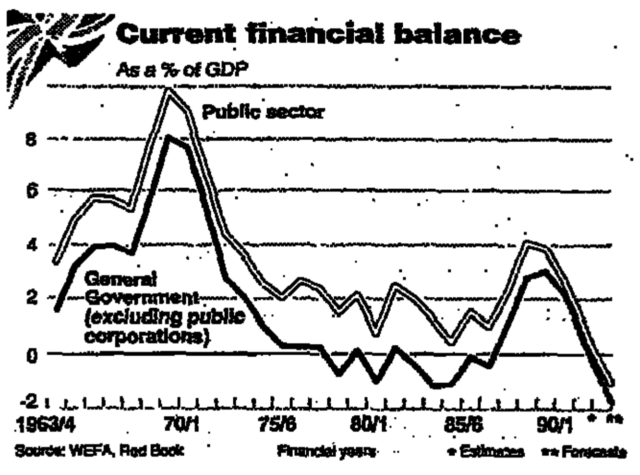
These hard facts of financial life will impede the ability of whoever takes office from pushing through tax cuts or raising spending significantly on popular public-sector areas such as education and health.

At the same time, picking out what has happened in public spending in the 13 years of Conservative government is made hazardous by competing statistical definitions – especially in the tricky area of public-sector investment.

According to the Treasury, receipts from sources such as taxation in the financial year beginning on April 1 will be limited by weak economic activity to £230bn, just £8bn above the figure for 1991-92.

Meanwhile, government spending will climb to £258bn, a £22bn jump from 1990-91.

Current financial balance



That will mean a public sector borrowing requirement of £28bn in 1992-93, about twice this year's likely figure, followed by a PSBR of £32bn in 1993-94. On the Treasury's arithmetic, the deficit will fall as economic growth picks up, to £25bn in 1994-95, £19bn in 1995-96 and £6bn in 1996-97.

While these figures are large enough to have unsettled financial markets in the past two weeks, Mr Michael Saunders, an economist at Salomon Brothers, has made his own calculations which point to still gloomier conclusions.

He believes that over the next few years government revenues will fall well short of what the Treasury is expecting, due to relatively modest growth in overall economic activity. Assuming no new increases in public spending programmes – which Mr Saunders admits is open to question – the PSBR will rise on his calculations to £38bn in both 1993-94 and 1994-95, before coming down to £35bn in 1995-96 and £28bn in 1996-97.

While the Conservatives can come up with statistics that suggest a fairly constant level of public-sector investment spending in the 1980s, Labour and the Liberal Democrats both accuse the Tories of presiding over a deterioration of the infrastructure.

However, discussion is hindered by a welter of different definitions. Depending on which is chosen, capital spending can be taken to be between about 5 per cent and 15 per cent of total public spending, the rest being current expenditure, mainly salaries.

The broadest way of looking at public-sector investment is to use what the Treasury defines as public-sector asset creation (PSAC).

This comprises gross spending on fixed assets by all government bodies including nationalised industries, but not counting privatisation proceeds which under normal government rules are considered as negative spending, capital grants by the public sector, and some items of defence spending such as tanks and missiles which under conventional UK government accounting standards count as current spending.

According to the PSAC definition, capital spending by the government in the 1980s, excluding nationalised industries which have since been privatised, has stayed about constant at just under £30bn a year in 1990-91 prices. In 1991-92, according to the Treasury, PSAC is likely to be £28.6bn, about in line with next year's expected PSBR. That would keep the UK in line with the "golden rule" in some countries' fiscal accounting which says that the amount the government borrows over a set period should not exceed the amount it invests.

On other definitions of public spending investment – and the Treasury uses no fewer than three others – Britain's position on public-sector spending looks considerably worse. These definitions lead to more of the public spending bill being classed as current spending, with the capital figure being depressed.

Applying the Treasury definition for investment which is used in most UK government spending calculations, the UK public sector may be in danger for the first time since records began in the 1960s of running a financial deficit on current spending.

The current balance is calculated as the difference between current revenue, excluding capital taxes from public sector revenue, and current public spending leaving aside capital spending. This would mean the UK might be about to borrow to finance consumption, violating the "golden rule" and shifting the public sector accounts into a difficult period.

Tory gainers rise slightly

FOR THE first time since the election was announced, shares that might benefit from a Conservative victory outperformed those that might benefit from a Labour win. "Conservative gainers" rose slightly yesterday while "Labour gainers" fell. The Labour drop was greater than that suffered by the FT-SE 100 index – the main indicator of big-company performance. Both portions of the index are calculated on a base of 100 as at closing prices on March 11, the election-announcement day.

FT Election Share Index

● Labour win/Conservative defeat stocks 98.54 -0.72
● Conservative win/ Labour defeat stocks 93.48 +0.04
● FT-SE (rebased) 98.73 +0.64

ELECTION 1992

Opposition revives VAT assault

By Ivo Dawnay, Political Correspondent

LABOUR strategists are increasingly convinced that the Conservatives' attacks on its tax policies have backfired on the government, offering them a rare opportunity to go on the offensive over fiscal policy.

Mr Neil Kinnock yesterday seized on the prime minister's remarks on the tax burden at his morning news conference to claim that Mr John Major had all but confirmed longstanding charges that the Tories' have a secret agenda to increase Value Added Tax.

"The VAT cat is now well and truly out of the bag. It is clear John Major is backtracking on what he said only a couple of weeks ago. I am not surprised," Mr Kinnock said. "It has always been clear that if they were re-elected the Conservatives would have to raise VAT."

That theme was taken up by Mr John Smith, the shadow chancellor, in a speech in Hatfield, Hertfordshire last night. He claimed that the Conservatives were now "hunting for scapegoats" to justify the poor state of the economy in negative campaigning that was making little impact on the electorate.

Turning round an old Tory charge against Labour, he said to resounding applause: "The British economy is not safe in their hands."

The buoyant mood in Labour's camp was fuelled by a report in The Guardian newspaper yesterday claiming that the government had breached longstanding convention by allowing current government outgoings to exceed the amount the Treasury receives in taxation.

The report provoked a call for the resignation of Mr Norman Lamont, the chancellor, from Mr Kinnock and a flurry of attacks from other shadow ministers.

In an open letter to the prime minister, Mr Smith argued that increases in National Insurance Contributions from 6.5 per cent to 9 per cent and VAT from 8 per cent to 17 per cent showed that "the Tories are the party of high taxation".

He added: "It is the Labour party – as my Budget demonstrated conclusively last week – that will reduce the burden of taxation on the ordinary taxpayer and in the process make eight out of 10 families in Britain better off."

Buoyed by the weekend's opinion poll figures, Labour is now expected to shift its attack to allegations of deteriorating public-sector services.

The main thrust of Labour's strategy will be to gradually move the campaign towards its key "winning" issues of education and the National Health Service. While senior party officials are aware that the Conservatives will relentlessly press their charges of a hidden Labour "tax bombshell", they believe that the raising yesterday of the government's record on the tax burden has supplied them with valuable ammunition to use the VAT card to counter such claims.

Trevor Humphries

Young questioners: Liberal Democrat leader Paddy Ashdown is quizzed by schoolchildren on BBC Television's Newsround programme yesterday

Joe Rogaly

The Kinnock factor

This election was supposed to be about rubbishing Mr Neil Kinnock, to the advantage of the Conservatives. It is turning out to be about Mr John Major, and so far the Tories are not the beneficiaries.

The theory was that the country would never accept Mr Kinnock. Most members of the cabinet have at one time or another suggested, in public or in private, that the leader of the opposition is a garrulous economic illiterate whose principles are dictated by opinion polls and whose general demeanour varies between that of jester and bully-boy.

The government's campaign strategy has been constructed around this characterisation. It is intended to be reinforced in the voters' minds by contrasting it with the optimum representation of Mr Major – as a man of the people who understands economics, sticks to his principles, is serious, straightforward, and not Welsh.

That is why the prime minister personifies the campaign. His face dominates the Tory manifesto. His boyhood reminiscences fill the TV screens. His parents' treatment by the National Health Service informs every argument about the NHS. His brief spell of youthful unemployment is never allowed to be forgotten. The early-morning press conferences centre on the answers given by this decent man with the ready smile. The subliminal message is plain: would you exchange honest John for untrustworthy Neil?

Unfortunately for the Conservatives, Labour has not followed the government's script. The plan was that Mr Major's plain visage would be set against the uncontrolled smirking and loud presence of Mr Kinnock. It has not happened yet. With a deviousness typical of your average socialist fiend, the Labour leader has spoiled the game. He has declined to play. Mr Kinnock's face is not on the Labour manifesto. His presence on TV is carefully controlled by members of his staff. When he appears he is soberly dressed. His face is not awry: it bears the self-confident expression of a man who believes he is winning. Mr Kinnock is an actor; he projects himself, for better or worse, according to the tastes of the audience as he sees it.

He is shown where it suits his managers' purposes, when it is of help to his party, speaking to issues long planned to be raised on a particular day,

If the polls turn in the Tories' favour the questioning of Major will vanish

against the most propitious of backgrounds, always to Labour's best advantage. What a cheat! The man has probably fought general elections before.

Mr Major has not. Yet in personal terms he is still well ahead of Mr Kinnock in the opinion polls. He is better-liked, and more trusted. His scores on most aspects of political popularity have fallen since the end of the Gulf war, but if the two of them were running for president Mr Kinnock would come nowhere.

The difficulty for the Conservatives is that Mr Major is running for president against a Labour party that is running for parliamentary control and a Labour leader who is running for prime minister. Mr Kinnock will not stand still to be compared with Mr Major. He and his colleagues know who would win such a contest.

The perverse consequence is that the eye of criticism is falling on the prime minister. Mr Kinnock has had many years in which to unite his party around an agreed strategy and programme. There are, to be sure, incorrigible leftists lurking in Labour's ranks, but they are under restraint. Mr Major is still having to judge every move against his need to hold the Tories together. The bitterness of Mrs Margaret Thatcher's supporters has not been entirely assuaged. That explains the complicated Thatcherite but caring, free-market yet interventionist, pro-European/anti-Brussels message of the Conservative manifesto.

Labour can afford to laugh off the lapses of hopeless junkies of 1960s orthodoxies like Mr Roy Hattersley (although not for much longer); the Tories are embarrassed even when they show unity-in-desperation by bringing Mrs Thatcher into the fray. Every glitch in the Conservative campaign is blamed on Mr Major; Labour's serious foot-faults are yet to come. The prime minister's strategic sense in choosing the election date will be put to the test on April 9. His tactical instincts are being questioned, not least by his own side, right now.

If the polls turn decisively in the government's favour the questions will vanish; if not the list will lengthen. There is no obvious way out. When the election was announced Mr Kinnock challenged Mr Major to a TV debate. The prime minister demurred, saying only losers accepted such invitations. Thus he left himself no possibility of changing his mind. That was a mistake.

Now Mr Kinnock's appearances are entirely in his own hands. The Tories may be tempted to run an advertising campaign aimed crudely and directly at his many changes of mind and his past leftwing views. The effect of that could not be guaranteed. Mr Kinnock may trip himself up – he has done so before – but it is on that slender expectation alone that the "rubbish Kinnock" strategy depends.

Ashdown offers farmers a carrot

By Ivor Owen

A "substantial programme" to ease the difficulties caused by the fall in farmers' incomes was advocated yesterday by Mr Paddy Ashdown, the leader of the Liberal Democrats, when he toured some of his party's most fertile electoral ground in mid Wales.

He said in Montgomery that the programme should be funded from money currently being used to raise agricultural production.

Mr Ashdown charged the Labour party with not being interested in agriculture, and accused the Conservatives of having forgotten the farmers. "They have turned their back on you," he said.

Mr Ashdown reaffirmed his party's commitment to the small family farm. They formed the "backbone" of the industry and should not be left to the cold winds of the free market. But he warned "farming will have to move back into balance with the market over a period of time".

Mr Ashdown also called for more environmental management schemes which would pay farmers for preserving the countryside.

On education, Mr Ashdown insisted that a £2bn increase in spending – financed by one penny on the basic rate of income tax – would be the "number one priority" of the Liberal Democrats in any coalition negotiations.

Questioned by students in Brecon, Mr Ashdown said part of the extra spending on education would be devoted to the reintroduction of student grants and the abolition of student loans. At the same time he stressed that the Liberal Democrats were not committed to restoring student grants to their 1979 level.

● Mr John Gummer, the agriculture minister, said yesterday in Wales that "the problems of Welsh agriculture are the problems of British agriculture generally", when asked why the 7,000-word Conservative manifesto for Wales did not mention agriculture, writes Anthony Moreton.

Mr Gummer also launched a particularly strong attack on Mr Ray McSharry, Ireland's EC commissioner in charge of agriculture.

Postal vote may swing marginals

By Catherine Milton and Gareth Smyth

LABOUR claimed victory in the race for the postal vote as registration closed yesterday.

More than 20,000 students have registered to vote Labour by post in marginal constituencies where they study, according to the National Organisation of Labour Students.

The Conservatives said they had no figures for the total number of Tory postal voters since campaigns to register them are organised locally.

Evidence from town halls is mixed and not all votes have yet been counted. In Cambridge, where Conservative MP Mr Robert Rhodes James is retiring with a majority of 560, the number of postal voters has doubled to 5,000, about 7 per cent of the electorate.

Disabled people, travelling workers, holidaymakers and students at home during vacations can all apply for postal votes. The total number of postal electors in 1987 was 907,725, about 2 per cent of the total vote.

THE ISSUES: SCIENCE

Researchers seek a cure for underfunding

SIMMERING dissatisfaction in Britain's laboratories with Conservative science policy boiled over yesterday when 20 leading researchers called for a change of government to reverse a "dramatic deterioration in the quality and depth of British science".

In a letter to The Times, they said "progressive erosion in public support for research" since 1979 had demoralised the scientific community – a development they described as "one of the principal disasters in Britain in the past 12 years".

The group includes several of Britain's best-known researchers, including the two Nobel laureates Dr Max Perutz and Professor Maurice Wilkins. Although they emphasised that the letter represented their personal opinions, most academic scientists would agree with their challenge to the Tory view that public funding of basic research has increased by 24 per cent in real terms since 1979.

University researchers say that growth in the official "science budget" – the money spent by the five research councils – has been offset by a steep fall in the government's contribution to research through the Universities Funding Council. At the same time the cost of working at the frontiers of research is rising faster than general inflation.

While the Tories maintain that British science remains in good health, Labour and the Liberal Democrats echo the opinion of Save British Science. The lobby group says that, measured by purchasing power, government support for academic science has fallen 20 per cent since 1979.

One result of the reduced university funding is that laboratories are staffed increasingly by researchers on low-paid, short-term contracts whose career prospects are often bleak. Another is that scientists spend more time on paperwork, chasing grants, and less on experiments.

"The last 10 years have put an enormous bureaucratic load on us and that needs to be stripped away," says Dr John Sulston, a senior researcher at the Medical Research Council's Laboratory of Molecular Biology in Cambridge. "And I recognise that I'm working in a privileged community here, which has been relatively well-treated."

The Liberal Democrats promise an immediate injection of £400m a year into the science base. Labour is more circumspect and avoids making a financial commitment.

Even so, laboratory conversations suggest that Labour is generally regarded as the party most friendly to science. Mr Jeremy Bray, a mathematician who is Labour's long-serving science and technology spokesman, has toured academic and industrial research centres listening to gripes and explaining Labour policies.

Labour is the only party promising a cabinet-level minister for science – a job that would almost certainly go to Mr Bray.

No senior Conservative politician has an equivalent long-term interest in science, responsibility for which has passed between a series of junior ministers in the Department of Education and Science.

Although industrial research and development has increased since 1979, all three parties agree that British industry should be encouraged to spend more on R&D.

The most distinctive proposal is Labour's 25 per cent tax credit for additional R&D investment. The Conservatives and Liberal Democrats say this would encourage accountants to reclassify existing spending as R&D, and even for the high-tech companies on Cambridge Science Park the tax credit seems to have relatively little appeal.

Mr Robin Smith-Saville, managing director of satellite communications company Signal Processors, says its priority is an increase in Department of Trade and Industry grants for innovative product development – support that almost disappeared during the 1980s in the enthusiasm for collaborative "pre-competitive" research.

"The extension of DTI support for innovation is most likely to be forthcoming in a hung parliament because the Labour and Liberal Democrat parties are more receptive to the need for this type of support than the Conservatives," Mr Smith-Saville says.

The three parties have similar German-inspired policies for bridging the gap between academic science and industry. All promise to set up technology development centres similar to Germany's Fraunhofer-Gesellschaft, a network of 46 industrial research institutes.

For Dr Eric Howells, director of Cambridge University's Wolfson Industrial Unit, this unanimity is "almost too good to believe". He and others in the business of exploiting academic research are enthusiastic about Fraunhofer-style institutes, whether they are called Faraday Centres (as the Tories propose) or Newton Institutes (Labour).

But many university researchers are irritated by the way politicians see science primarily as a tool for strengthening industry, and are angry about the way "scientists got the blame for Britain's industrial failure", as Professor Michael Pepper, a Cambridge University physicist, puts it.

Prof Pepper insists – contrary to current political wisdom – that in his field of solid-state physics "links between universities and industry are very good". For university scientists like him the overriding issue is not improving links with industry, but correcting what they see as underfunding of basic research.

Clive Cookson

The Lady turns to the north

Margaret Thatcher's speech with John Major on Sunday is regarded as having done the Tories proud. But will the same be said of her trip today to Scotland?

Thatcher is still anathema to most Scots. Indeed, some people say that her government bears heavy responsibility for pushing Scotland towards devolution or separatism.

There is little evidence that anyone in the Scottish Tory party actually wanted her to campaign in Scotland; it appears that she offered to go and no one was able to dissuade her.

That she will be supporting Michael Forsyth in his Stirling constituency is no surprise: he was the most Thatcherite of the Scottish Office team and her great ally.

He has, however, publicly accepted many tenets of Majorism since then, and last year produced a pamphlet called "A country at ease with itself".

The constituents of both Forsyth and Bill Walker, MP for Tayside North which Thatcher is also visiting, know the Thatcherite feelings of their MPs.

One wonders, however, about the people of Edinburgh West, a further port of call, where the MP is Lord James Douglas-Hamilton, another Scottish Office minister.

Lord James is the most popular member of the Scottish Office team. Very little dirt from the Thatcherite period has stuck to him, partly because he was given few controversial things to do and partly because everyone could see that, as well as being an Oxford boxing blue, he was such a nice man. With a majority of only 1,234, it could be that the less he has to do with the former prime minister the better.

Small science

The group of pro-Labour scientists who wrote to The Times yesterday were stretching a point. "Between 1974 and 1979," they said, "British scientists won six Nobel prizes. In 1980-85 the number dropped to four, and for 1986-91 there was just one British laureate."

About the long-term trend, they may well be right, but there is a time lag in these matters and it is surely pushing it a bit to claim the number of prizes between 1974-79 as a triumph for the Labour government of that period.

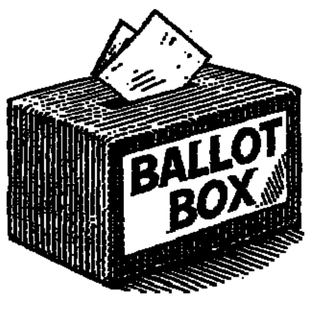
Most Nobel prizes are based on research done five to 20 years previously, though the interval between a discovery and its recognition by the Nobel committee varies enormously.

César Milstein of the Laboratory of Molecular Biology in Cambridge discovered monoclonal antibodies – a key development in molecular biology – in 1976 and won a Nobel Prize in 1984, which was fast by Nobel standards.

On the other hand, Peyton Rous discovered in 1911 that viruses can cause cancer. He won the prize in 1966. Perhaps the scientists who did their best work in the Thatcher period will get their reward by the millennium.

Top of the bus

Anything they can do, we can do better. The Tories last week deployed six ministers and a black cab to launch their London manifesto. Yesterday Labour wheeled out seven



frontbench spokespeople and a double-decker bus.

In a trail-blazing move, the document was thrust on unsuspecting media on the top deck of the bus, which was engaged on a magical mystery tour of Oxford Street and Covent Garden. From a campaign organiser's viewpoint you can see the attraction: it kept probing questions to a minimum, yet provided photo-opportunities by the bucketful.

Bryan Gould, shadow environment secretary, acted as impromptu tour guide, tailoring his discourse to suit the area being traversed (education in Gower Street, the arts in Shaftesbury Avenue and so on). Unaccountably, he did not use the party's close proximity to Luigi's restaurant (where Neil Kinnock has been known to hold forth) to say how quickly Labour would implement its policy of abolishing the ceiling on National Insurance contributions.

Wrong numbers

Opinion polls can be wrong, as the French have just discovered. The polls forecast a turnout between 50 per cent and 55 per cent in the regional elections on Sunday. The actual turn-out was 68.7 per cent, which may have had a significant influence on the result.

British polls seldom bother with the turnout figure, but it may be worth watching and even betting on. When Edward Heath and the Tories won a surprise victory in 1970, it was 72 per cent – the lowest since 1945. When Labour crept back in the February 1974 election, it was 78.1 per cent – the highest since 1959.

Welsh torrents

Ten years ago Nicholas Edwards, as Welsh secretary, appointed John Elfed Jones as chairman of the Welsh Water Authority. Edwards, now Lord Crickhowell, moved on to be chairman of the National Rivers Authority and Jones became chairman of the privatised company.

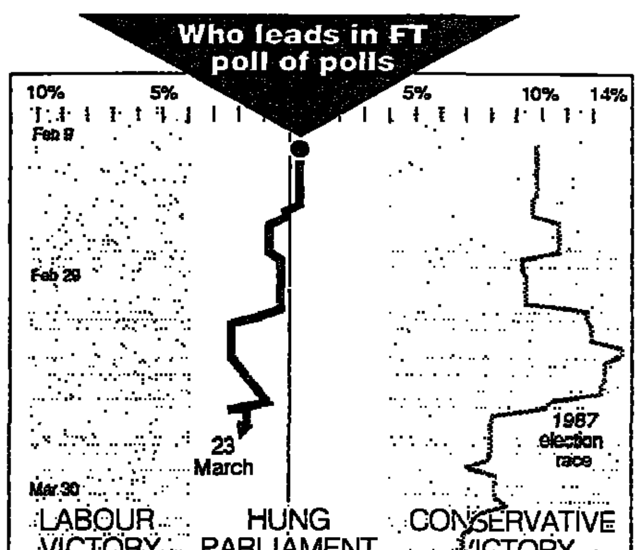
Their paths have crossed again. The rivers authority has suggested that water from Wales should be piped to help relieve the drought over the border. Water is an emotive subject in Wales. Birmingham and Liverpool, and other parts of England already get a large part of their supplies from Welsh dams – free. The Welsh have always said England should pay for it.

Now Jones has told his erstwhile boss that the government ban on Wales earning what it can from one the few commodities it has in abundance has cost the country £50m over the years. Pay for it or look elsewhere for your water, he has said.

All of which is manna to the Liberal Democrats. "If Welsh Water is taken, it will be the end of the Tories in Wales," says Richard Livsey, Liberal Democrat MP for Brecon and Radnor.

Spoilsports

Australians may get up to all sorts of things, but on one subject they are puritanical. Political betting is prohibited, even on the British election. (PS. It also seems to rain a lot.)



	Last night's FT forecast	Latest opinion poll	Betting odds	Futures trading
Conservative	300 seats	43%	Evens	299
Labour	307 seats	38%	8/11	305
Liberal/Dem	18 seats	16%	300/1	25
		(Harris/Express) Field date 21-22 March	Ladbrokes (for most seats)	Dealing on the number of seats (IG Index mid-prices)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls, panel polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last two campaigns. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

How to survive the seven-year hitch

Charles Batchelor investigates the measures you can take to reduce liability to inheritance tax

Our revels are now ended...
The cloud-capped towers, the gorgeous palaces,
The solemn temples, the great globe itself,
Yea, all which it inherit, shall dissolve.
And, like this insubstantial pageant faded,
Leave not a rack behind.
The Tempest

This month's British Budget, with its relaxation of rules governing inheritance tax, has made it easier for the next generation to prevent all that it inherits in a family business from dissolving in the tax man's grasp.

Norman Lamont, the Chancellor of the Exchequer, raised the threshold at which inheritance tax comes into force and increased the reliefs on business assets to take an estimated 900 businesses out of the tax net entirely in 1992-93, while lightening the burden on a further 1,600.

However, the imminence of a general election and the prospect of a Labour government installing a less accommodating tax regime mean that business owners should act fast to make the best use of existing tax rules, tax specialists advise.

"It does not bring the Inland Revenue a lot of money but it can still be important for the individual company if the owner dies young or unexpectedly," says Mavis Sargent, a tax partner at accountants Moore Stephens.

The problem with planning for inheritance tax is that forces the business owner to accept his or her own mortality, says David Bowes, a consultant with accountants Grant Thornton. "People don't think about it until they are near retirement or they have a serious illness. They should do it much earlier."

Bowes cites the case of a businessman, a widower with children, who died in his 50s. He had made no plans to reduce his exposure to inheritance tax so his children arranged to pay it off over 10 years from dividends.

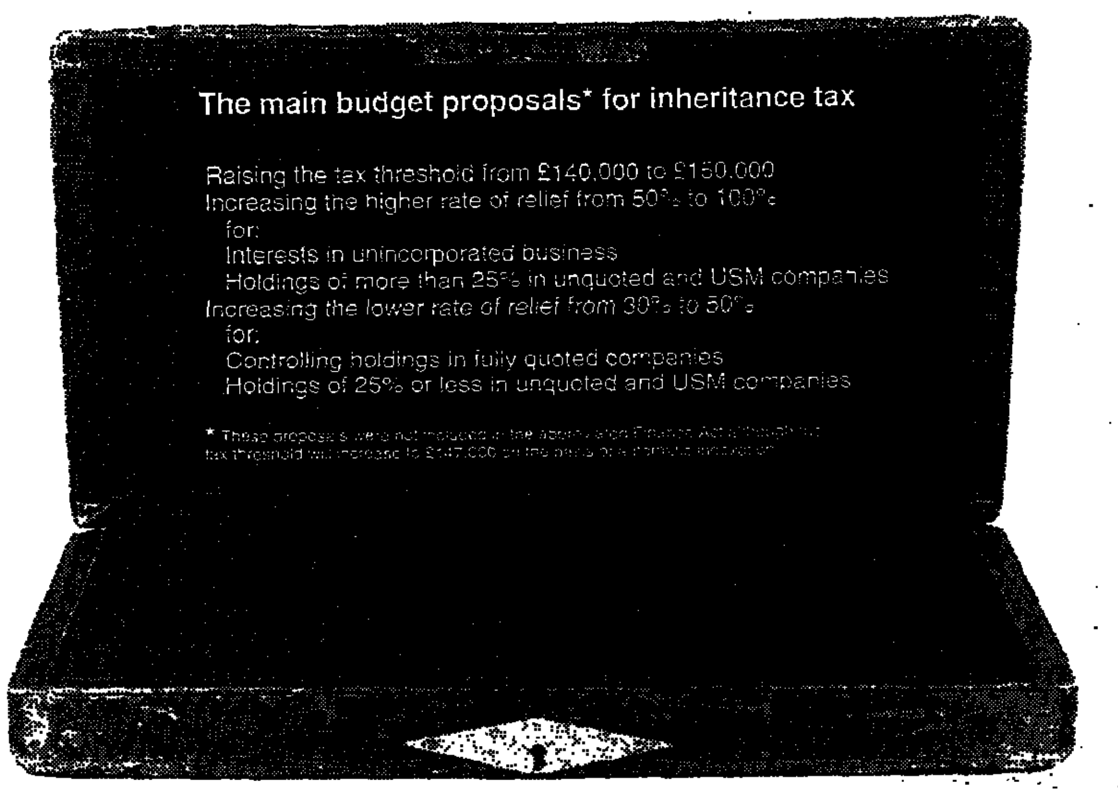
When the family business ran into a difficult patch and was unable to pay any dividends, the children were forced to sell it to pay the tax. But because the business was not doing well, they sold it for much less than they would have achieved in more buoyant times.

So how should the business owner set about avoiding inheritance tax? A popular way of reducing exposure to the tax is to make a lifetime gift (in tax jargon, a "potentially exempt transfer"). If the individual making the transfer subsequently lives for seven years, there is no inheritance tax to pay. Dying within seven years triggers a tax liability on a tapering scale.

The business owner could make an outright gift of shares but this can bring problems: the children may be too young to take responsibility for the business; someone else may gain control of the shares; or the owner may not yet want to cede voting control over the shares.

The answer may be to set up a trust. This puts the shares into safe hands and the trustees may include the owner and spouse. Trusts conjure up images of offshore tax havens, brass name plates and shady lawyers but the reality is more prosaic. The Inland Revenue calculated last year that there are about 260,000 trusts in existence in the UK. Most are fairly small and only 4 per cent had an income of more than £25,000.

A simple, standardised trust document could be pulled off a solicitor's word-processor for £200 but a custom-made trust for a family business would cost between £1,000 and £2,000 in solicitors fees – less outside London, says Mark Buzzoni, a partner at solicitors Baileys Shaw & Gillett.



Drawing up a trust deed could be completed within a week to 10 days with much of the time taken up gathering information on the business and family background.

Many trusts become dormant once they have been established and there will be no administration costs until the time comes to take action under the trust's terms. But if regular dividends are paid or investments are reshuffled, there will be fees to pay to solicitors or accountants.

A trust allows an individual (the settlor) to retain control of his assets but it also imposes limits.

The settlor cannot draw dividends from shares put into the trust, though his wife can. Nor can the settlor get back the assets he put into the trust if it is unwound. He cannot, for example, force his children to return any shares he has given them through the trust. "You give up ownership of the shares and any rights to benefit for ever," says Buzzoni.

Creating a trust should be left to a lawyer but there are points the family owner should watch out for:

- Do not start shifting assets around and making promises to your heirs before taking legal advice. One business owner decided to put some land and shares into a trust. He made the mistake of transferring the shares into the trust – so he no longer had a controlling stake – before transferring the land. Since he no longer controlled the company when the land was transferred, he was unable to claim the inheritance tax relief on the land. By reversing the transactions, he would have saved his heirs a lot of money.
- Make sure that the other shareholders are aware of what you are doing. Gifting shares into a trust may trigger their pre-emption rights and a dissident shareholder could create problems.
- Remember that there is a "tension" between the rules of inheritance tax, which argue in favour of making a lifetime gift, and those governing capital gains tax. The latter suggest it makes more sense to do nothing because capital gains are "washed out" on death.
- Take out life assurance to meet any expected inheritance tax liability. However, it may be difficult to judge how much cover is required because the Revenue may not accept your valuation of the asset and you may not know the tax rate which will apply.

Tax advisers do not expect all these tax breaks to remain in place if a Labour government comes to power though it is unlikely that Labour would make its legislation retroactive. This, coupled with the fact that share values are low in the depths of the recession (tax is calculated on the value of the assets at the time of the transfer) mean it makes sense to take action before April 5, advisers suggest.

But even if the Conservatives are returned to power, there is every prospect they will take a hard look at the taxation of trusts. In the past two years, the government has tightened up the rules governing offshore trusts while a recent government consultative paper questioned whether trusts should be taxed differently from individuals.

The tax rules which affect the transfer of business assets from one generation to the next have an important impact on the health of family businesses. With an estimated 75 per cent of all UK companies under family control, the overall economic impact is considerable.

In a Nutshell

On a wing and a prayer

Are private investors a more fruitful source of finance for small businesses than the formal venture capital industry? In the US, "business angels" are thought to provide at least twice as much finance as the venture capital industry, though in the UK, angels are believed to be less active.

But evidence that private investors do have an important role to play comes from figures from Venture Capital Report (VCR), a monthly newsletter providing details of opportunities.

Of the 1,123 entrepreneurs featured between 1978 and 1990 who provided feedback, 15 per cent received an offer for all the money they sought from a subscriber to the newsletter with a further 10 per cent receiving an offer from another source.

VCR, Boston Road, Henley on Thames, RG9 1DY.

Calling the start-up sector

The banks may have had to make large provisions on their small business lending but this has not stopped at least one from continuing to court the start-up sector.

National Westminster Bank is offering a free telephone and discounts on telecommunications equipment for start-up businesses opening an account before March 31. This promotion is intended to help NatWest towards its total of more than 150,000 new start-up business accounts this year.

Going for profits in Wales

The Welsh Development Agency (WDA) is *shifting the emphasis* of its activities away from start-up companies to helping existing, profitable businesses expand. It plans to target the *3,000 companies with help in* fields such as strategic planning, exploiting technology and doing business in Europe.

Contact WDA, Pearl House, Greyfriars Road, Cardiff CF1 3XX. Tel 0222 222666.

When tick becomes too heavy a cross to bear

You supply a long-established customer with £10,000 worth of goods only to hear a week later he has gone out of business. Your normal credit terms are 30 days, so you are still three weeks away from payment.

You then face the prospect of the liquidator or the administrative receiver selling your consignment of goods to pay off the bank or one of the other creditors.

The problem is that although you feel the delivery you made ought still to belong to you, in law it does not. Unless you agree other terms with your customers, the goods become theirs the moment your delivery lorry drops them at the loading bay. How can you reduce the risk you run without demanding cash in advance or some other change in terms which might persuade the customer to switch to a rival supplier?

One method is to put a "retention of title" clause into your terms of trade. This is unlikely to frighten off sound customers but, if handled properly, can increase your chance of being paid. Detailed advice* has been drawn up the London Chamber of Commerce to clarify the confusion. Making a retention of title clause stick can be difficult unless all the legal niceties have been met.

All your terms of trade, including retention of title, must be communicated to your customer before or at the time the contract is made, the chamber advises. It is not sufficient to print the clause on your invoices since these go out after the contract has been struck. It must be printed, prominently, on all brochures and price lists, credit application forms, quotations and customer order forms.

You must also make sure that your document outlining the terms of trade is the last document to be sent out since this will usually be the one which is held to be legally binding.

If you receive an order on a customer's own order form, you must, without fail, send your own "acknowledgment of order" form containing your terms.

If you print your retention of title clause on the back of any forms, you should put a note on the front drawing the customer's attention to it. And make sure the terms are printed in readable, clear type.

If your customer goes bust and you need to apply the clause, get in touch immediately and make arrangements to recover your goods. If you cannot take the goods away immediately, you should make an inventory or take photographs. These must be signed and dated by your representative and by your customer.

**Retention of Title Clauses: A Simple Man's Guide to Implementation. London Chamber of Commerce, 69 Cannon Street, London EC4N 5AB. Tel 071 248 4444. £10.*

CB

BUSINESSES FOR SALE

Touche Ross

The Cornmill Hotel, Hull

(Anglo-Dutch Developments Limited t/a The Cornmill Hotel)

(In Administrative Receivership)

The Joint Administrative Receivers, Ralph S. Preece and Graham J. Watts, offer for sale the long leasehold interest together with the goodwill and contents of a recently developed and extremely well appointed hotel, the main features of which are:

- 28 en suite bedrooms all furnished to a high standard.
- Restaurant with seating for 100 and separate lounge area.
- Large Public Bar.
- Excellent location in commercial area of Hull.
- Attractive conversion of old mill building.

For further information contact the Joint Administrative Receivers or Christopher Gray at the address below.

10 – 12 East Parade, Leeds LS1 2AJ.
Tel: 0532 439021. Fax: 0532 448942.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Spark Tec Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company:

- World leader in the development and manufacture of Advanced Machining Systems including:
  - Spark Erosion Machines (EDM)
  - Electrochemical Machines (ECM)
  - Electro Discharge Texturing Systems (EDT)
- European patents.
- Highly skilled and motivated workforce.
- Substantial order/enquiry position.
- Modern leasehold premises on outskirts of Birmingham.

For further information please contact Joe Atkinson or Kevin Murphy at the address below.

Newater House, 11 Newhall Street, Birmingham B3 3NY.
Tel: 021 631 2288. Fax: 021 236 1513.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Barn Owl Court

(In Receivership)

Tetbury, Gloucestershire

The joint receivers offer for sale a partially completed cotswold stone conversion in "Royal Gloucestershire" within easy commuting distance of Bath, Bristol and Gloucester.

- Freehold property
- Partially completed conversion of the old brewery and woollen mill
- Nineteen prestigious high quality apartments
- Town centre location

For further details please contact the Joint Receiver:
Edwin Antill, Grant Thornton,
1 Westminster Way,
Oxford OX2 0PZ.
Tel: 0865 244977
Fax: 0865 724420

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

The Joint Administrative Receivers of Glendene Associates Limited, John Neil Harrison FCA MIPA and Alexander Michael Murray Ross FCA MIPA offer for sale:-

- **Freehold development site on Isle of Wight.**
- **3.9 acres with planning permission for 63 dwellings.**
- **For sale as a whole or in parts.**

For further information please contact.
Neil Harrison or David Clements
Kreston House
74 South Street
Reading
Berks
RG1 4RA
Tel: 0734 585466

finnies
CHARTERED ACCOUNTANTS

TIMBER COMPLEX FOR SALE
JORDAN TIMBER PROCESSING INDUSTRIES

JTPI

Announces the selling of its timber COMPLEX at Aqaba. The Complex consists of the following:

1) Plywood Plant
2) Sawmill Plant
3) Chipboard Plant
4) Wood Working Plant
Consists Of The Following Lines:

a - Blockboard line .
b - Lamination line .
c - Prefabricated Houses line .
d - Furniture line .

Firms and companies interested in buying should send their offers according to one or more of these options :
1- Buying all the plants and reoperate them on the site .
2- Buying all the plants and export them outside Jordan .
3- Buying parts of the plants and export them outside Jordan .

Written offers in closed envelopes should be delivered to the secretary of liquidation committee of JTPI at :

Naser Center Building - Shmeisani , Tel 661030 , 677648 , Tlx 22477 JTPI P.O. Box 2690 , Amman - Jordan . Before Thursday April 16th 1992 .

● Technical Specifications are Available at our offices .

THE BUSINESS SECTION appears Every Tuesday & Saturday. Please contact Melanie Miles on 071-873 3308 or write to her at The Financial Times, One Southwark Bridge, London SE1 9HL.

ACQUISITION OPPORTUNITY – PUBLISHING

The founders of a publishing house specialising in Middle East political history are interested in selling their business. The preferred purchaser would be a substantial organisation with an understanding of high-quality reference publishing. The business *for sale has been established for seven years.*

- A niche business in the best sense: focussed product line; regular customers; no significant competition; broad enough base to withstand recent Gulf war and current economic recession;
- Distinctive publications list of acknowledged quality and value;
- Customers include senior figures in ruling families, government and business;
- Continuous investment in two-year forward programme, with opportunities for longer-term development;
- Consistently high-margin business generating an average of over 30% pre-tax on sales over the last 5 years;
- Nil borrowings; cash-generating business; strong balance sheet;
- Compact business operation; sound administration day-to-day.

Please reply directly to the principals via the box number below. They wish to sell because they have reached (in their opinion at least) an advanced age.

Box no H6649, Financial Times,
One Southwark Bridge, London, SE1 9HL

FOR SALE

Belgian Company specialising in industrially polished concrete floors - since 10 years - Limited Liability Company with capital paid up in full. No debt - references on request.
Tel: 32/11421076 / 32/11433723
Fax: 32/11433761

AUCTION

UPON THE INSTRUCTIONS OF MORTGAGEES IN POSSESSION, BANKS, RECEIVERS, BREWERS, CORPORATE AND PRIVATE CLIENTS.

Pubs, Hotels, Restaurants and Retail Units.

2 Lots without Reserve

Guide Prices from £20,000 - £1.5 million

2.00pm Wed. 29th April
Kensington Hilton
Holland Park Avenue, London, W11 4UL

CHRISTIE & Co
071 - 486 - 4231

EXHIBITION COMPANY FOR SALE

An International Leisure Group wishes to dispose of this business which is not part of its core-activities

This profitable and well established Exhibition Company organises 7 plus exhibitions per annum and is an ideal purchase for a Publishing Group, Marketing Services Company or for a business looking to diversify.

Current profits are in excess of £200,000 per annum with ample scope for expansion.

Principals only please write to:
Phillip Barth (Ref.156), Fladgate Fielder,
Heron Place, 3 George Street, London W1H 6AD.

Flockvale Distribution Limited

(In Administrative Receivership)

Business and Assets for sale as a going concern

- Comprehensive goods handling, warehousing and transportation services.
- Warehouse equipment with a book value of £200,000.
- Turnover of approximately £3 million.
- Established customer base.
- Warehousing capacity of 450,000 square feet at four leasehold sites in West Midlands and Lancashire.
- Workforce 60.

For further details contact the Joint Administrative Receivers Ken Jones and Andrew Menzies

ROBSON RHODES

Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021-643 1936. Fax: 021-643 4993
Authorised by the Institute of Chartered Accountants of England and Wales to carry on investment business.

CHESHAM.
BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And you want the right buyer. With confidential briefs from hundreds of acquisitive public company chairmen who are looking to buy successful, private companies worth £500,000 to £25 million, we ought to be able to help.

So if you're thinking of selling your business, contact our Managing Director to arrange a confidential discussion.

CHESHAM AMALGAMATIONS
The first name in merger broking.

Chesham House, 2 Bentinck Street, London W1M 6JX.
Telephone: 071-935 2748

COMBAT AND SURVIVAL MAGAZINE

Publisher in process of rationalisation offers COMBAT AND SURVIVAL magazine for sale. This is the No. 1 title in its field and is viable with enthusiastic readers, advertisers and special offer buyers. Plenty of potential for development.

Please be in touch with Stan Morse, Publisher,
Aerospace Publishing Ltd,
179 Dalling Road, London W6 OES.
Tel: 081-749 2425, Fax: 081-749 6249

ENERGY CONTROL DESIGN SERVICES LIMITED

The Joint Administrative Receivers, Gary Blackburn and George Stein, offer for sale the business and assets of this Heating, Ventilation and Air Conditioning Control Systems Engineers.

Principal Features Include:-

- 'In house' panel manufacturer / facility for electrical installations
- Turnover £1M per annum
- Highly skilled workforce - 17 employees
- Leasehold premises, totalling 5,300 sq. ft. based in Leeds, West Yorkshire
- Order book of approximately £500,000

For further details please contact:-
Gary Blackburn FCA,
Joint Administrative Receiver,
Kidsons Impey,
Barclays House,
41 Park Cross Street,
Leeds LS1 2QH
Telephone 0532 422666
Fax. 0532 422038

KIDSONS IMPEY
Chartered Accountants

On the Instructions of Dene Hotels Group

THE CENTRAL HOTEL—Stoke on Trent
38 Bedroomed (4 unused) commercial Hotel. Lounge bar. Oak panelled restaurant. Well equipped kitchen. 2 further houses at side (1 let). Anticipated takings to year end March 1992 £210,000 exc. VAT.
£460,000 + SAV freehold. *Ref. 58/42164*
For more details contact:
PAUL STEWARD, Birmingham Office on 021 456 1222

THE GEORGE HOTEL—Cheltenham
Recently refurbished fully licensed hotel of 39 letting bedrooms all with ensuite facilities. Restaurant of 60 covers, smart lounge/cocktail bar, several function suites. Car park front and rear, basement offices, staff rooms and staff bedrooms, gas fired central heating. RAC 3 Star rated. T/O approx £500,000 a year. PP for a further 16 bedrooms.
£1.2 million freehold. *Ref. 54/8672*

TWIGWORTH LODGE HOTEL—Nr Gloucester
Fully licensed country house style hotel on main A38 road, stands in 3 acres of lawned gardens. There are 30 ensuite bedrooms (2 used by staff). Lounge bar, guests lounge, popular "steak bar" style Restaurant of 100 covers, 2 function suites, indoor swimming pool, gas fired central heating. PP for 26 more bedrooms plus larger conference room. T/O £550,000 this year.
£800,000 freehold. *Ref. 34/8673*
For more details contact:
STEPHEN COLES, Bristol Office on 0272 744566

CHRISTIE & Co

BUSINESSES FOR SALE

K7752	Midlands based furniture manufacturer seeks sales or finance director. Turnover £1.5m.
K7807	Childrens bedroom furniture manufacturer based in Lancashire.
K7778	Bus operator based in Lancashire town close to Manchester.
K7785	Coach operator based close to M62 and M6 with good leasehold site .
K7806	Major bed manufacturer with good freehold site.

We are able to offer a full management consultancy service including reconstructions and disposal advice on a strictly confidential basis.
Please contact: Louise Hands, KCR International Ltd., Hardicker House, Hardicker Street, Manchester M19 2RB Tel: 061 443 1327 or Fax: 061 443 1323

K.C.R. INTERNATIONAL LTD.

FOR SALE HOTEL EL PARAISO, MARBELLA, SPAIN
200 BEDROOM 4 STAR HOTEL

200 bedrooms (including 11 suites), magnificent public rooms, including large restaurant, lounges, bar, shops, 2 function suites. Large outside pool plus indoor leisure complex with pool. Full air conditioning throughout. A well furnished hotel in fine elevated position. Recently closed with no staff obligations to take over Freehold. Offers invited over £6,000,000 (six million pounds sterling). Approx Ptas 1,074,000,000.

HOTELS WANTED 100 TO 500 bedrooms, 3 star to 5 star in ENGLAND, ITALY, FRANCE, SPAIN, GERMANY, GREECE, PORTUGAL, AUSTRIA, SWEDEN, HOLLAND, DENMARK, BELGIUM, TURKEY

MICHAEL PEGG INTERNATIONAL
TEL: 0272 237575 Fax: 0272 237566

THE JOINT ADMINISTRATIVE RECEIVERS of
INTERNEWS LIMITED PUBLISHING
INDIAMAIL
(The voice of the Asian community)

Offer for sale
The title INDIAMAIL
together with the Photo Library, Books and Archives.
The Company had completed two years of publication before it ceased in January 1992.
Interested parties, Principals only.
Contact: Joint Administrative Receivers
Mr A.P. Locke F.C.A., M.I.P.A. and
Mr D.R.F. Sapte F.C.A., M.I.P.A
BEGBIES, Chartered Accountants,
6, Raymond Buildings,
Gray's Inn, London WC1R 5BP
Telephone: 071-242 7394
Fax: 071-405 0350

Estb 1917

TRANSFORMERS & POWER SUPPLIES
(Retirement Sale)

Specialist supplier of transformers and miniature power supplies to industrial and electronics markets. Expanding product line. Current T/O £600K & profitable. Home counties.

Write to Box H6686, Financial Times,
One Southwark Bridge,
London SE1 9HL

Owner of Prosperous 30 year old Private Company

Designing and manufacturing large electrical panels for the Power Supply and Distribution Industry both in U.K. and Overseas, wish to sell/merge 100%, with object of retirement.
Turnover 7 figs and very profitable.
Excellent order book and future prospects.
In first instance contact Accountants
Tel: 081 848 0071
or Fax 081 848 8779

CONFIDENTIAL OFFERING PRECISION MACHINING CO.

Leading manufacturer of precision machined aircraft, medical and valve system parts and assemblies. Located in Michigan and Northeast USA
Bid deadline: May 28, 1992
Contact: The Parkland Group, Inc.
216-621-1985 Fax: 621-621-1894
Refer to Project #551

SALE FOR HEALTH REASONS 80 year old sock company with 80 machines, own dye house and long service workforce. All-Ireland trademark acceptance. Location Dublin. Good lease. Manufacturing income tax only 10%. Modest price for quick sale. Telephone Dublin 280 3630

Humberts · LEISURE

Great Ouse Navigation System - near Cambridge

A superb small marina business

- 75 fully serviced berths, all let on annual licences
- 2,500sq.ft marina workshop, chandlery and management offices
- 2 bedroom owner's/manager's house and 1 bedroom mobile home

In all about 5½ acres

For Sale Freehold as a going concern, SAV

Offers invited in the region of £425,000

071-629 6700
25 GROSVENOR STREET · LONDON W1X 9FE

FOR SALE
MIDLANDS MANUFACTURING COMPANY
Substantial export sales.
Strong order book.
Turnover approx. £2.5 million.
Profitable.
Illness of Principal shareholder necessitates sale.
Principals only to:
Box No. H6666, Financial Times, One Southwark Bridge, London SE1 9HL

COMPUTER PERIPHERAL IMPORTER AND DISTRIBUTOR

of Twinax/Coax & Ansi/Ascii terminals, Laser printers and related products for sale. S.E England, T/O £1M. Asset value £300K, dealers and corporate end-user customers. Parent company disposal of non-core activity.

Principals write Box H6679, Financial Times, One Southwark Bridge. LONDON SE1 9HL

OPPORTUNITY

If you seriously want to make a business acquisition there has never been a better time. We can locate any business, and find that exceptional deal unavailable to others, the recession cannot last for ever, act now before its too late!

Phone David Clark on 0400 81247 or Fax: 0400 81318

Software House London SW

Software Consultancy active in vertical markets - public sector. Rights to products. Trading 5yrs. £500K T/O.

Write Box H6682, Financial Times, One Southwark Bridge, London SE1 9HL

PEOPLE

Harding takes on BET

Sir Christopher Harding (below), the chairman of British Nuclear Fuels, is to become non-executive chairman of BET, the business services group, following the resignation of Nicholas Wills at the end of April.

He will have been chairman for just a year and is leaving to pursue other interests.

Sir Christopher, 52, who spent from 1961-69 with ICI, has been a non-executive director of Hanson since 1979, and of BNFL since 1984, was due to step down from BNFL at the end of this month but is remaining in place until John Guinness, the permanent secretary at the department of energy, moves across after the general election.

John Clark replaced Wills as chief executive following City criticism of the group's trading performance. In July the company made a £670,000 payment to top up Wills' pension.

Mr Fields quits Mrs Fields

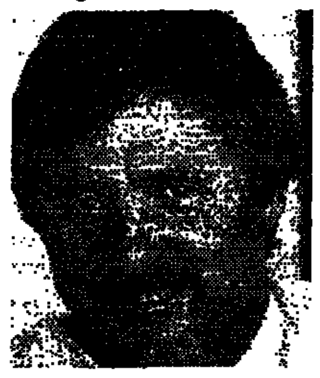
MRS FIELDS, the US cookie company whose shares were suspended after the Stock Exchange expressed doubts about certain of its deals with connected companies, yesterday announced the resignation of Randy Fields as chairman.

Debbie Fields, president and founder of the company, will assume the additional roles of chairperson and interim chief executive. Fields, who with his wife will remain the biggest shareholder, is to concentrate full time on the software group he bought from the company in May 1990 for £3.5m. The company will ask for its shares to be re-quoted following the announcement of its financial reorganisation in June.

Pre-tax losses deepened from $5.12m to $6.09m in the six months to end-June 1991.

■ Alan Thomas has been promoted to group md of ASHLEY GROUP following the resignation of Anthony Butler.

■ Rob Walker is appointed to the new position of operations director – coffee for LYONS TETLEY; he is now responsible for all manufacturing, technical and supply activities relating to coffee.



■ Len Bodill (above) is appointed sales director of UNITED DISTILLERS UK in place of Eddie Fazal who is taking a similar position with United Distillers Australia.

■ David Streatfield is appointed company secretary of CHRISTIES INTERNATIONAL following the death of David Allison.

■ Stephen Coathup has been appointed finance director and Terence McAllister a director of SOUTH STAFFORDSHIRE WATER HOLDINGS.

■ Julian Macey is moving from Maiden Outdoor Advertising where he was the director responsible for the company's activities in east and central Europe, to become director rail, at BRITISH TRANSPORT ADVERTISING.

Developing solicitors' business

Barrister Stephen Fielding has joined City solicitors Titmuss Sainer & Webb as the partnership's first director of business development.

Fielding, who was called to the Bar in 1974, but shortly after went to work in the financial services sector, first as a lawyer to the Building Societies Association then to Midland Bank, says he has not this time been hired as a lawyer but rather for his "business management capacity".

Titmuss Sainer was one of the first City law firms to establish a marketing department, though it lost Linda Phelan, who had been responsible for setting it up, at the end of last year, and her replacement has also subsequently left.

Fielding says his job is "business development – not just marketing". This he takes to amount to some input on strategic issues, with the partnership currently engaged in an overhaul of strategy; attention to and promotion of "the quality of service; and new business acquisition".

Fielding, who is 40 and lists the Church among his interests, is proud of his recent record as deputy chief executive of Midland Bank's personal asset management business. "It became a very fast-growing part of Midland," he asserts. Heavily dependent on the branch network, he admits it will be "much harder work" at Titmuss Sainer.

Stout returns to academe at LBS

After 10 years as head of economics at Unilever, the Anglo-Dutch nappies-to-detergents group, Professor David Stout is returning to academic life as the new director of the Centre for Business Strategy at the London Business School.

Stout, now 60, an Australian Rhodes Scholar, was a Fellow of University College, Oxford, for 16 years and economic director of the National Economic Development Office (Nedo) during the 1970s.

Like his predecessor, Professor John Kay, who stood down from the post last year, Stout leans more towards industrial economics than what many business executives would understand by strategy.

Nevertheless, Stout, who will take up his new post at the start of August, has a clear idea of the direction in which he wants to take the Centre.

In what he describes as his "mission statement", he says he intends to make the Centre "a workshop on industrial economic success", which will study the impact of public policies on business strategy and competitive performance, and try to establish how success can be spread within and between different sectors of the economy.

Stout says the Centre, which is largely funded by the Gatsby Foundation and is one of six research centres at LBS, will tackle economic performance in three ways: first, the dynamics of corporate growth and success; second, the effective design of public policy and its impact on industrial performance; and third, to test the results of these two approaches, it will examine key sectors such as biotechnology and fast moving consumer goods, where he says Britain has latent competitive advantage.

FT LAW REPORTS

Somalia money stays in court

THE REPUBLIC OF SOMALIA v WOODHOUSE DRAKE & CAREY (SUISSE) SA & OTHERS

Queen's Bench Division (Commercial Court): Mr Justice Hobhouse: March 13 1992

MONEY PAID into court as representing cargo owned by a foreign republic whose government has been overthrown cannot be paid out to solicitors instructed by the republic's "interim government" if on the evidence it is not a government, in that it does not exercise effective administrative control over the republic's territory.

Mr Justice Hobhouse so held when refusing an application by the "interim government" of the Republic of Somalia for payment out of court of funds belonging to the Republic.

HIS LORDSHIP said that in January 1991 the Republic of Somalia bought and paid for a cargo of rice which was shipped on the *Mary* to be discharged at Mogadishu.

When the *Mary* arrived off Mogadishu, the master refused to enter port because of the fighting there.

Bills of lading covering the cargo were in the hands of a Madame Bihi, Somalia's ambassador to the UN. Disputes arose as to what should be done with the cargo.

The shipowners issued an originating summons on March 12 1991 naming as defendants the charterers of the vessel.

Mr Justice Hirst ordered that the cargo be sold and that the net proceeds of sale be paid into court, and be treated as if they were the cargo. He ordered Madame Bihi to place the bills of lading at the court's disposal to facilitate the carrying out of the order.

In December 1990 and January 1991 there had been an uprising in Somalia in the course of which President Siad Barre had been overthrown. The central government ceased to exist. Various groups put themselves forward as entitled to control or govern parts or the whole of Somalia.

The area around Mogadishu was controlled by the USC group but that split into two factions, one led by General Aidid and the other by Mr Ali Mahdi Mohammed.

Further south, different areas were under the control of the SDM and SPM groups and the followers of Siad Barre. No one group had established control over the country.

Madam Bihi had been appointed by President Barre's government. She remained deeply hostile to the USC (particularly Mr Mahdi), who were equally hostile to her. She contended that there was at present no government of the Republic of Somalia.

In July 1991, after continuous fighting between the various groups, a conference was called at Djibouti attended by the Presidents of Kenya and Uganda and representatives of the governments of Germany, the US, France, Italy, Saudi Arabia, Egypt, Libya, Yemen, Nigeria, Ethiopia, Sudan, Oman, the USSR, China, the Arab League, the Organisation of African Unity and the EC. From within Somalia six of the groupings were represented. The SNM and General Aidid did not attend.

The conference reached an agreement set out in a communique dated January 21 1991.

Under the Djibouti agreement, Mr Mahdi became interim President of the Somali Republic for two years. He appointed Mr Qalib as prime minister. The "interim government" had been unable to operate in Mogadishu. Mr Qalib was based in a hotel in Riyadh.

Prior to the Djibouti agreement, on May 12 1991, Mr Qalib, describing himself as the "prime minister of the Somali Republic" and writing from Riyadh, instructed solicitors, Crossman Block, to act on behalf of "the interim government of the Somali Republic". By a further letter of January 14 1992, Mr Qalib gave his written consent for "the interim government of the Republic of Somalia" to be joined as plaintiff in the proceedings.

Following sale of the cargo and payment of the $2.35m proceeds into court, on the application of Crossman Block as "solicitors for the Republic of Somalia", Mr Justice Saville ordered joinder of the Republic of Somalia as plaintiff in substitution for the shipowners who together with the buyers of the cargo were joined as additional defendants. He further ordered that unless any party showed cause before February 19 1992 why $2m should not be paid out of the fund to the solicitors for the Republic of Somalia, it should be paid to Crossman Block.

Madame Bihi took advantage of the liberty to apply. She sought to be joined as a party as a representative of the Democratic Republic of Somalia.

She claimed no personal interest in the money. The only *locus standi* [right to be heard in court] she could have was as a person entitled to represent the Republic of Somalia in court. It was clear from the evidence that Madame Bihi had no such right. Her evidence was that there was currently no government of Somalia. She had no diplomatic status in the UK, nor government recognition as a representative of the Republic of Somalia. Her application to be joined as a party was refused.

The question was whether the order for payment out to Crossman Block should be confirmed.

Crossman Block's authority was contained in the letter of January 14 1992. If the "interim government" was not the government of the Republic of Somalia, Crossman Block did not have authority to act on the Republic's behalf.

The UK government's new policy not to confer recognition on governments as opposed to states, was stated in two Parliamentary Answers in April and May 1980.

The Answers confirmed one applicable criterion of the *locus standi* of a foreign "government" – whether the relevant regime was able to "exercise effective control of the territory of the state concerned" and was "likely to continue to do so". A statement as to what was to be the evidence of the UK government's attitude provided another. It was to be inferred from "the nature of the dealings" the UK government had with the foreign government, and whether they were on a normal government to government basis.

The Foreign and Commonwealth Office responded by letter to solicitors' enquiries in relation to the litigation. It said the general situation in Somalia continued to be insecure and confused; that the interim government did not command nationwide acceptance; and that it was very difficult to judge who was the government.

It said the UK maintained formal contact with all the factions involved, but there had been no dealings on a government to government basis.

It was clear that the UK government did not consider that there was at present any effective government in Somalia.

The statements in the letters from the Foreign and Commonwealth Office were confirmed by other evidence concerning the actual situation in Somalia.

The criteria of "effective control" referred to in the Answers were not satisfied.

In *Arantzazu Mendi [1939] AC 256,264-5*, Lord Atkin said "exercising effective administrative control" meant "exercising all the functions of a sovereign government, in maintaining law and order, instituting or maintaining courts of justice, adopting or imposing laws regulating the relations of the inhabitants".

The "interim government" did not satisfy those criteria. The Republic had no government.

The factors to be taken into account in deciding whether a government existed were: (a) whether it was the constitutional government; (b) the degree, nature and stability of administrative control it exercised over the territory; (c) whether the UK government had any dealings with it and if so what was the nature of those dealings; (d) (in marginal cases) the extent of international recognition.

On the evidence the "interim government" did not qualify.

Accordingly, Crossman Block did not at present have the authority of the Republic of Somalia to receive and deal with its property. The instructions and authority from the "interim government" were not from the government of the Republic.

No part of the sum in court should be paid out to Crossman Block without a further order of the court.

For the plaintiffs: Geraldine Andrews (Crossman Block).

For Madame Bihi: Gavin Kealey (More, Fisher, Brown).

Amicus curiae: Stephen Richards (Treasury solicitor).

Rachel Davies

Barrister

THE BUSINESS SECTION ALSO APPEARS ON PAGE 18

FINANCIAL TIMES SURVEY

EMPLOYEE OWNERSHIP

Tuesday March 24 1992

New fiscal incentives and the availability of finance for management buyouts spurred employee ownership plans. But the aims of the movement – to share the rewards of capital more widely and provide new motivation for employee shareholders – are still distant goals in too many cases, writes Richard Waters

Poised at the crossroads

THE growth of employee share ownership in the US and the UK was one of the phenomena of the financial world in the 1980s. From being an idea touted by a small band of idealists, the drive to put shares into the hands of workers grew into a mass movement which gained broad-based support from workers, managers and existing shareholders, with strong political backing. There are now reckoned to be around 11m workers in the US covered by share schemes, while some 4 per cent of adults in the UK, or around 1.7m people, own shares in the companies for which they work.

Two main forces have been behind this expansion of worker ownership – the tax system, and a plentiful supply of bank finance. The surging stock market also helped, encouraging financially inexpert employees to believe that owning shares is a worthwhile thing to do. All three have become less significant factors in the 1990s – and the volatility that has crept into stock markets may even have destroyed the faith of some employees in the idea altogether. The result: employee ownership is at a crossroads, poised between a further leap forward, as its advocates say is coming, and a retrenchment. Which way it goes will depend on whether companies and outside shareholders come to believe firmly that share ownership motivates employees and leads to improved financial performance (a case that has never been conclusively made).

The tax system provided the main springboard for the 1980s expansion of employee ownership on both sides of the Atlantic. In 1984, the US Congress allowed banks to deduct half of the interest they receive on loans to employee share ownership plans (Esops) for tax purposes. The incentive led to a surge in the use of Esops in the US.

In the UK, meanwhile, a series of measures from the late 1970s led to the introduction of a range of schemes designed to place shares into the hands of workers. Shares handed out under such statutory arrangements were to be treated as free from income tax, though they did not escape tax on capital gains. With income tax rates at a high level for much of the 1980s, the attractions to a worker – particularly a highly paid one – of receiving capital gains rather than income were obvious. Not surprisingly, shares turned into a disguised form of remuneration, not different in character from the range of other fringe benefits offered by many companies, particularly to their executives.

Things have changed. The tax support for Esops in the US has come under attack after the perceived abuses of such schemes in the late 1980s. And in the UK, the equalisation of income tax and capital gains tax rates has removed much of the attraction for using shares as disguised income (though some tax benefits remain).

The second factor which helped to spur greater employee ownership in the 1980s – the financial backing of banks – has also receded. This is due in part to the unwillingness of many of the world's biggest banks to increase their loan portfolios as aggressively as before, if at all: they will be subject to more stringent capital adequacy rules from 1993, and need to ration the use of their funds more carefully.

A further factor has been the recessions in the US and UK, which have greatly reduced the leveraged buy-outs (also known as management buyouts) which drew heavily on bank finance in the 1980s. The over-borrowing of many such vehicles has led to more cautious financial structuring of buy-outs in the 1990s.

As a result, lending to Esops in the US has tumbled. Last year, it amounted to around $2bn, a fifth of its level two years before. Management buyouts are still being completed, but on a far smaller scale than before.

The Esop has yet to catch on in a big way elsewhere. By harnessing bank finance to acquire shares for workers, and by using existing shares rather than newly-created ones (and thereby avoiding diluting the stakes of existing shareholders), Esops offer the best opportunity for large-scale employee ownership, rather than the drip-feed offered by other share benefits.

But in the UK, the idea has been slow to catch on – around £300m-£400m has been lent to Esops so far, according to New Bridge Street Consultants, an employee benefits consultancy.

The 1980s boom in employee ownership may have ended: but there are continuing factors which suggest that the trend could be set to continue in the 1990s, albeit in a different form.

The continued privatisation of enterprises around the world, and the use of share incentives by companies which operate internationally, provide the two main thrusts.

Privatisation has advanced the cause of employee ownership in two ways. It creates new publicly-traded companies: with more workers in the private sector of the economy, share ownership can be spread more widely.

This is especially true in eastern Europe, where the creation of joint-stock companies is making employee share ownership (and indeed all other types of share ownership) possible for the first time since the nationalisations earlier this century.

Privatisation also creates the opportunity for management buy-outs, with workers going the whole way and taking full control of their enterprises. In the UK, for instance, privatisation of bus companies has acted as a spur to management buy-outs, and the sale of trust-owned ports looks likely to have a similar effect.

Employee ownership is now more prevalent in the bus industry than in any other industry in the UK, according to a survey by Capital Strategies, an employee buy-out adviser: employee-owned firms account for around a third of the private-sector bus market.

Meanwhile, it was recently announced that three of the UK's biggest trust ports – Tilbury, Medway and Clyde – are to be sold to their managers and employees (though the transfer of the ports into private ownership has not been a smooth process: the first to be privatised, Tees & Hartlepool, caused a political uproar when the employees and the highest bidders were passed over.)

A second factor likely to lead to wider employee ownership over the next decade is the use of share schemes by companies which operate internationally. US and UK companies, for instance, have begun to export share incentives to workers outside their home territories, encouraged by the apparent success of such schemes at home.

Legal and fiscal differences have held back the export of such schemes, making them a time-consuming and expensive process. But that has not stopped companies pushing ahead. Guinness, the UK drinks and leisure group, last year offered share incentives to employees in 21 countries, modelled closely on the savings related share option scheme it has maintained in the UK for many years (under this, employees save for five or seven years and use the money at the end of the period to take up options on shares at a discount to the share price at the outset). The average take-up rate by employees outside the UK is an impressive 60 per cent.

Guinness' approach is unusual. More commonly, companies shape share incentives to meet local tax and cultural factors, creating a patchwork of schemes around the world. But according to Mr Mike Redhouse, Guinness's head of remuneration and benefits: "We knew that this would cause a huge amount of work to implement, an administrative nightmare to operate and inequalities between employees in different countries."

The development of such incentives in internationally active companies varies greatly, according to a report on financial participation in Europe conducted by The Wyatt Company, a remuneration and benefits consultancy. UK companies have done most to export financial participation schemes (including profit sharing and savings plans, as well as stock option and purchase schemes): more than half use such arrangements abroad, compared to around three quarters at home. By comparison, while a similar proportion of German companies offer incentives at home, only 40 per cent have exported the idea. Companies based in other European countries had done far less for their workers abroad.

Nor is there any common pattern in how companies introduce benefits overseas. According to The Wyatt Company, 47 per cent of US companies operating in Sweden have introduced share options for their workers there: by comparison, only 11 per cent of US companies in France have similar benefits. Again, tax and cultural differences predominate.

The European Commission, in its drive to create a single labour market in the EC, has made efforts to overcome these differences, though it has stopped short of legislating on the subject.

Last year, it issued a recommendation that member states encourage the use of financial participation. The Commission also intends to study the possibility of creating common structures for share schemes to apply across the Community, although any legislation on the matter is likely to be years away.

IN THIS SURVEY

Illustration: Robin MacFarlan

Finance for management buy-outs and the recession

Fewer lenders, smaller deals

THE RECESSION has been a mixed blessing for managers looking to take a stake in their own business. It has created opportunities for management buy-outs from forced asset sales, but there is less finance available as lenders have withdrawn from the market.

In spite of a decline in the number of active lenders, 400 transactions were completed during 1991. This is only slightly down from the 440 deals struck in 1990 and well above the 360 deals closed during the "boom" year of 1989.

However, finance for management buy-outs is certainly more difficult to secure than in the late 1980s. Most deals are now smaller and more conservatively financed.

Statistics compiled by KPMG Peat Marwick show that the total value of management buy-outs and buy-ins amounted to £2.62bn last year, down from £2.8bn in 1990 and £6.4bn in 1989. The average size of deals has fallen to £5.2m from £13m over the same period.

Lenders are insisting on more conservative financing structures, including lower debt-to-equity ratios. Again according to KPMG figures, the average debt-to-equity ratio for MBOs during the second half of 1991 was 180 per cent, compared to 590 per cent in the second half of 1989.

As gearing levels have declined, there has also been less use of mezzanine finance, subordinated loans which rank between senior debt and equity in the event of winding-up.

There is no shortage of mezzanine funding available. Mr Erik Linnes, head of the Kleinwort Benson Mezzanine Fund, estimated that UK mezzanine funds have around £300m committed but unallocated finance available. A similar amount is looking for a home in continental Europe.

But with senior lenders insisting on a less reliance on debt finance overall, fewer deals have included a mezzanine portion.

Yet there is no question that mezzanine finance is here to stay. As overall business confidence returns, gearing levels on management buy-outs will probably return to near the long-term average of 270 per cent. Under these conditions, senior lenders will probably prefer to see an element of mezzanine finance in a deal, since it creates an additional loss-absorbing cushion between them and the company.

For the moment, however, caution prevails. This is evident from the covenants of recent MBO financings, which tie the buy-out team tightly to strict profit and performance targets.

There has been a knee-jerk response to losses incurred on some infamous buy-outs of the late 1980s. For example, the team heading the £629m buy-out of Magnet in 1989 forecast annual pre-tax profits growth of 15 per cent over three years. The eventual outturn was a profits fall even in the year of the buy-out. The company is now in effect in the hands of its bankers.

To some, the trend has gone too far in the opposite direction: managers need some latitude in the long-term development of the business. Covenants which are drawn too tightly can be counter-productive.

This same conservatism and lack of business confidence has also reduced the number of new Employee Share Ownership Plans (Esops) being set up.

In the past around 20 per cent new Esops have been set up alongside management buy-outs.

As part of the MBO financing, the management team simply sets up an employee share trust, which then takes a stake in the company and grants options over the shares to employees.

But as the number of larger MBOs has fallen, and as core debt finance has become more difficult to secure, the number of buy-outs including an Esop has declined.

Esops were first recognised under UK law in 1989. Unlike ordinary share option schemes, an employee trust is set up to buy existing equity in the market, rather than granting options over new shares which are subsequently issued at a discount to market value.

However, the vast majority of Esops has been set up independently of statute, which lays down strict conditions by which the trust must be run – covering the election of trustees, for example. Lawyers have established that Esops which do not comply with every letter of the law are still entitled to the tax breaks granted to statutory Esops.

Other than MBOs, the rate of creation of Esops is closely linked to business confidence and the outlook for corporate earnings. The employee trust's purchase of shares is usually financed by a bank loan, guaranteed by the company. This can eat into credit lines with banks.

The loan is serviced by the dividends that the trust receives from its shareholding. However, this is never enough to cover all debt-service costs and the company invariably has to make periodic "gifts" to the trust. This can use up valuable working capital.

Loans for the creation of an Esop carry the same lending margin as loans to the parent company which guarantees the debt. As corporate lending margins have widened, so the cost of running an Esop has increased.

In addition, initial legal and banking fees for setting up an Esop are generally around 1 per cent of the value of the scheme. There are ways to reduce the marginal financing costs of an Esop. For example, if the lending bank holds the shares on behalf of the trust, any dividend income it receives counts as tax-free franked investment income.

But there are clearly identifiable costs involved in setting up an Esop. In a recession few companies feel they have either credit lines or working capital to spare, and the creation of new Esops slowed almost to a standstill.

Simon London

EXECUTIVE INCENTIVES

Perks for the board

AT A packed annual general meeting last November, frustrated shareholders unanimously voted down a proposal from their board to introduce a share option scheme for senior managers and executive directors of the company.

This was not a typical meeting of normal shareholders in an ordinary company. It was the AGM of Manchester United, which counts large numbers of football fans among its shareholders. But it does illustrate the growing frustration being expressed with the nature of executive incentives.

"There was a fair amount of dissatisfaction with the board," says Mr David Craddock, a supporter of the club who stood up at the meeting to oppose the scheme. "I felt it was outside the spirit of the flotation, which was to spread share ownership more widely."

He is a member of a share option scheme himself, and argues that the board should come back at the next AGM and propose a scheme which applies to all employees of the club.

"If there is an executive scheme, it should be very closely linked to the performance of financial factors ... and how the team performs," he says. "Football operates in a perfectly competitive market. There is a price for failure."

He suggests that any rewards should be linked to factors such as attendance at matches, and how well the football club performs each season.

Mr Craddock's criteria may be harsh, but the message is a common one: shareholders are becoming restless with the liberties taken by their boards over remuneration.

"There is increasing emphasis that share options should be performance-related," says Mr Brian Freeman, managing director of Stoy Benefit Consulting.

Mr Hugh Turrall-Clarke, a partner with the executive benefits services group of Price Waterhouse, says there is a growing feeling that executives have been seen to make a great deal of money from options, unrelated to their company's performance. In addition, many critics suggest that managers should not simply have an incentive geared to the upside of a company's performance.

Incidents including the "super share options" arranged for Sir Ralph Halpern, former chairman of Burton, which were valued by one estimate at £7.1m in the late 1980s, have hardly helped the case of directors, particularly at a time of economic downturn.

A study produced by the London Business School last year showed little evidence that senior executives were manipulating their performance-related pay schemes unfairly to receive additional rewards.

But it found few companies which voluntarily disclosed sufficient information to allow the formulae for calculating their bonuses to be understood. The academics were unable to probe as thoroughly as they would have liked as a result. Such concealment is unlikely to endear itself to shareholders.

Mr Freeman says the introduction in 1984 of discretionary share option schemes went against the grain of previous schemes, which were targeted at all employees.

Discretionary schemes, differentially helping directors, were given a further boost in the 1991 Finance Bill. The chancellor of the exchequer allowed executives to take a 15 per cent discount off the market price at the time the option was granted. The only condition was that there should also be an all-employee scheme in place.

The aim was at least in part to boost wider share ownership. The result was considerable concern that directors would again be in a position to benefit more than their employees.

Both the Association of British Insurers and the National Association of Pension Funds frowned on the initiative. The ABI produced guidelines late last year which placed strict limits on its use.

It argued that the effect would be to increase the cost of options to existing shareholders, and created divisions between directors now eligible for the discount and those who previously had to pay the full price on the options.

Few companies voluntarily disclosed sufficient information to allow the formulae for calculating bonuses to be understood

As a result, it recommended that such options could only be taken up after five years, rather than the more typical three. It added that the discount should in any case apply only to a maximum of one quarter of the total number of shares allocated under the scheme.

This advice came on top of earlier notes, stressing that there should be a limit on the maximum participation by an individual, and suggesting that any discretionary option should be linked to performance, and not granted unless the company's earnings per share had grown by at least 2 per cent above inflation.

The weight of the ABI guidelines has meant the 15 per cent discount has barely been taken advantage of. "The ABI has pretty well killed it with its requirements for performance-linking," says Mr Turrall-Clarke. "Its influence is quite strong. You don't go against it without thinking pretty carefully."

Theoretically, Mr Freeman argues it might be better if options could be matched to individual performance, rather than general company-wide objectives. At the moment, he says the scheme is open to abuse, with options sometimes given to "blue-eyed boys".

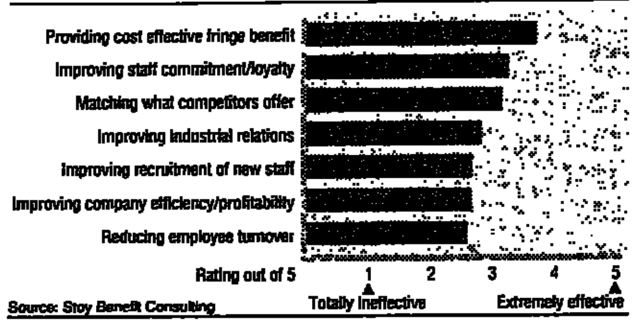
Even when earnings per share is used as a yardstick, he argues that the figure can be increased by "good luck and good planning" more than the contribution of an individual. It gives little reflection of the contribution made by the managing director of a small subsidiary within a group, for instance.

He suggests that, ideally, executive options should be tied to personnel policies, job evaluation and formal appraisal systems. He also welcomes the trend towards remuneration committees and – not surprisingly – to outside advisers.

Despite the limited efforts at reform, Mr Freeman argues there is still generally little opportunity for shareholders to object. "Shareholders have been remarkably docile," he says. "In far too many companies executive share options are left in the fiefdom of the directors. It's very feudalistic."

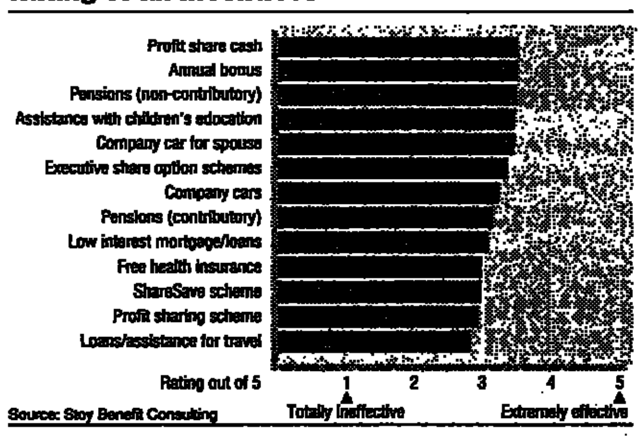
Andrew Jack

Rating of share incentive schemes



Source: Stoy Benefit Consulting

Rating of all incentives



Source: Stoy Benefit Consulting

Anthony Robinson looks at the problems being caused by privatisation in eastern Europe

Value of free shares

IN THEORY, the workers used to own everything in the so-called worker-states of eastern Europe. In practice, the absence of clearly defined property rights proved to be one of the greatest obstacles to rational economic development.

Over the past two years, the collapse of communist regimes throughout the region has made privatisation a key element of economic reform. Inevitably, this has revealed the need for new forms of ownership, including a redefinition of employee ownership.

The quickest and most complete transformation to employee ownership has followed the rapid privatisation of trade and retail outlets, especially in the three central European "fast track" reforming economies of Czechoslovakia, Hungary and Poland. Czechoslovakia has been particularly concerned either to compensate, or restore to whatever previous owners can still be traced, small shops and restaurants which were privately owned until the various waves of nationalisation which followed the post-war imposition of a Soviet-style regime.

In some cases, state property has simply been auctioned off to the highest bidder, a satisfactorily quick and cheap process. Often such small enterprises and retail outlets have been leased to their new proprietors, especially where property rights are disputed by former owners or unclear. Lack of clarity about original ownership has been a major difficulty bedevilling transfers of property in many cases.

Poland began first and has proceeded fastest with this so-called "small privatisation". Alone in eastern Europe, Poland managed to retain 80 per cent of the land in peasant proprietorship throughout the communist period and this helped to keep alive both the concept of private property and the basic institutions needed to assert property rights and transfer property, at least in country areas.

Poland passed its first privatisation law in July 1990 and within a few months more than 100,000 small and medium-sized retail outlets owned mainly by local authorities were sold off or leased. By the end of last year, well over 80 per cent of retail trade was in private hands as well as over 40 per cent of the building industry and 60 per cent of road transport.

With extraordinary speed a privatised wholesale network also sprung up in Poland to replace the former centralised state system whose legendary inefficiency had made queueing and shortages part of the country's way of life. Last year over 46 per cent of Poland's $14bn import trade was carried out by privatised companies.

It is a similar story in Hungary and Czechoslovakia where privatisation of small firms began in January 1991. Over the next year 17,000 small businesses were privatised, of which 2,000 were returned to their former owners. Unfortunately, there are no clear statistics for the number of employee buyouts but these are believed to have been a substantial proportion. A further 30,000 small companies are due to be sold or leased in the next nine months.

Progress with small-scale privatisation has been closely watched by the so-called "southern tier" countries of Romania, Bulgaria and Albania, although Yugoslavia, which used to boast of its own special form of worker self-management, has been distracted by the inter-republican fighting which has thrown most of the republics into economic disarray.

Bulgaria began to privatise small shops, service stations and restaurants only in the second half of 1991 while Romania is planning to auction small enterprises later this year. The government in Bucharest, the Romanian capital, has also drawn up plans for privatising 6,000 fully state-owned industrial and other enterprises under the Privatisation Law promulgated last August. The law transfers all state property, apart from utility companies, into joint stock companies. The shares will then be held by five private ownership funds.

Some 30 per cent of the shares in these funds are intended to be transferred free to Romanian citizens as certificates of ownership. The remaining 70 per cent will be held in a state ownership fund until they can be sold to foreign or Romanian investors.

Given the shortage of capital in the region, and the need for time and expertise to rebuild the legal and institutional framework for the effective transfer of ownership and control, it clearly made sense for the governments to transform as many employees as possible into owners or leaseholders of small businesses.

Free distribution, it has been argued, resembles old socialist attitudes too closely

But the real debate over shares for workers and employee ownership schemes has surfaced in the second, far more difficult stage of privatisation. This is the transformation of the thousands of large and medium-sized industrial enterprises which remain the basis of the former centrally planned economies.

Over the past two years, an enormous amount of intellectual effort and specialised advice from western bankers, accountants and lawyers has been devoted to working out complex mass privatisation schemes. All include some form of free or preferential transfer of shares to workers in the various enterprises.

However, the free element has been sharply reduced as the various drafts succeeded each other. This is partly because pro-market governments have argued with increasing strength that free distribution of shares resembles too closely old socialist attitudes. It also reflects the cost of such complex schemes and the need to make them as self-financing as possible.

Czechoslovakia hopes to return half of the remaining 4,000 state-owned enterprises to private ownership through a so-called "coupon privatisation" programme which is due to start in March. Over 8m Czech and Slovak citizens have paid a nominal sum for voucher booklets which will entitle them to choose which shares they want to hold.

Poland has an equally complex system of "mass privatisation" under which shares in 200-400 of Poland's 8,000 state or municipally-owned enterprises will be transferred into Polish and foreign-managed investment funds this year. For a nominal fee, Polish citizens will be offered shares in the closed end funds, but not in the companies themselves.

Employees will be given up to 10 per cent of the shares in the enterprises taking part in the mass privatisation scheme. As an added incentive, they will also be relieved from the strictures of the so-called *popiwek* tax. This punitive tax on wage increases which exceed a below-inflation norm set by the government is levied only on state-owned enterprises as a brake on the power of the workers' councils.

Once companies are privatised, either by foreign investment, liquidation or through the mass privatisation scheme, workers receive up to 10 per cent of shares in the enterprise. But they lose the protection of the workers councils. They are also freed from the restrictions of *popiwek* and are allowed free wage bargaining.

The real problem is that the vast majority of enterprises in this part of the world are under-capitalised, overmanned and technologically obsolescent. Creating real value for the shares given to employees or obtained cheaply through various mass privatisation schemes poses a daunting challenge for years ahead.

EMPLOYEE OWNERSHIP 3

Esops boost corporate performance, reports **Patrick Harverson**

US link worth grasping

IN THE caring, sharing 1990s, the concept of employee share ownership sits comfortably in the US.

Recent research shows how much of a financial interest American workers now have in their own companies' futures. In the US employees are estimated to own $150bn worth of company stock. Combined, they control an average of 12 per cent of the 1,000 largest US companies whose employee shareholdings exceed 4 per cent.

The trend to wider *employee ownership* will accelerate if companies pay attention to the spate of recent studies which appear to show a firm link between employee ownership – and the use of Employee Share Ownership Plans (Esops) in particular – and corporate performance.

The Institute of Management and Labor Relations at Rutgers University in New Jersey last year showed how the stocks of public corporations with meaningful employee ownership beat the main market averages in 1991.

The Rutgers team *compiled an* "employee owners' index" made up of 205 publicly traded US companies with a stock market value of $50m or more and with employee holdings of at least 10 per cent, well over half of them through Esops. In 1991 the Rutgers index rose 35.9 per cent excluding dividends, a superior performance to the S&P 500, which gained 26.3 per cent.

The theory that employee ownership benefits companies and their employees is also supported by a recent study by the University of Baltimore, *which reviewed* 2,776 public companies with Esops, and found that as an investment, they produced a higher return than comparable mutual funds.

Even the recession seems not to have dulled the success of many Esop companies. A poll by the Washington DC-based Esop Association asked its members: "How did your company perform in 1991 compared with 1990?". Sixty-five per cent of the respondents answered "better, or the same".

It is hard to gauge the value of an Esop for a company struggling to survive a recession. It has been argued that Esops restrict a company's flexibility in restructuring its way out of trouble, especially in small worker-owned concerns that may be reluctant to cut jobs or take drastic action.

It has also been said that the large amounts of debt taken on with Esops pushes companies closer to failure. Yet Esop-led leveraged buy-outs, where the debt-load is likely to be most onerous, have fared well in recent years. A study in 1991 by the National Centre for Employee Ownership (NCEO) in California found that Esop LBOs were much less likely to file for bankruptcy, default on loans or need major restructuring than conventional LBOs.

Mr Joseph Blasi of Rutgers University and co-author of "The New Owners" (published in the US by HarperCollins), cautions against assuming a strong link between ownership and performance. "All the studies show that employee-owned companies don't perform any worse than comparable non-employee owned companies. But there is also no evidence that employee-owned companies automatically perform in a superior fashion."

Detractors of Esops have argued over the years that employee-owned companies use profits to boost workers' pay in the short term instead of putting them into long-term capital investment. Yet, says Mr Blasi, "there is absolutely zero evidence that this is true."

The fixed wage and benefits system of the post-war era is collapsing

Similarly, Mr Blasi has found nothing to back claims that employee-owned companies *reduce dividends to shareholders to* pay for increased wages, or that employees in such companies undermine the management hierarchy and hamper the decision-making process.

In fact, the evidence reveals that there is not enough employee participation in the management of employee-owned companies. Mr Blasi found that employees were the dominant shareholders in half of the 1,000 companies identified as significantly employee-owned, yet employees had a place on the board as non-management representatives at just three of them.

This dismays those who believe the full potential of employee ownership is not being exploited. "Most managers are unwilling or unable to institute organisational changes in their companies that would ensure employee ownership really made a big difference," says Mr Blasi.

One criticism of Esops and employee ownership that is harder to refute is the argument that they create too much risk for workers, whose entire retirement savings may be tied up in the fortunes of one company.

Whereas in the past workers retirement savings were housed in defined benefit plans that were highly diversified and insured by the government, Esop company employees are putting all their eggs in one basket. If a company goes under, and there is no back-up for employee funds in the form of another savings plan, employee holdings can be wiped out in one go.

Despite the risks, however, workers appear fixed on a course towards adopting more flexible forms of retirement savings. This, says Mr Blasi, is because of changes in society and business culture. He claims that as workers increasingly favour, or are being offered by employers, entrepreneurial forms of retirement savings plans, the fixed wage and benefits system of the post-war era is collapsing.

Esops continue to play a big part in the collapse of that system, and today there are about 10,000 Esops in the US, covering more than 11m employees. The rate of growth in new plans, however, has dropped sharply. According to Morgan Stanley, $2bn went into the plans last year, compared with $10bn in 1990 and $18bn in 1989.

Yet 1989 and 1990 were probably aberrations, with many companies creating Esops as a defence against unwanted takeovers, or as part of a share repurchase *programme. Since last year the takeover* binge has died, and because of buoyant stock markets companies have issued more equity, rather than bought it back.

Esops do not represent the entire picture of employee ownership in the US. In fact, less than half of companies that are significantly employee-owned have an Esop. Other routes to employee ownership include employee benefit schemes, savings plans, deferred profit sharing plans that own company stock, employee share purchase plans, broad-based stock option plans (such as those in place at Pepsi-Cola and drugs group Merck), and even retiree medical plans funded with stock.

The growth of all forms of employee ownership has important implications for the way businesses in the US are run, and it cannot be long before employee-owners will want a greater say in management.

Norma Cohen looks at the attitudes of institutional investors

Owners work harder

"IF EMPLOYEES own a stake in a company, we generally think that's a good thing," says Mr David Rough, investment manager at Legal and General, one of the UK's largest life insurers. "The question for us is what kind of employee share option scheme it is."

Institutional shareholders see workers who are owners as having a stake in the company's success – raising the odds that they will work hard to earn profits for their employer. They point to NFC, formerly the nationalised National Freight Company. It was saved by the intervention of its staff and management who bought it and turned it into a highly profitable venture.

Rarely is there any concern that employee shareholdings limit the ability of senior management to make changes to company structure, such as those involving redundancies. Indeed, most institutional shareholders say they have given little thought to the matter. Only when employee share ownership is used to accomplish a corporate goal do institutional shareholders sit up and take notice.

In particular, US-style employee stock option plans, often funded by the employer itself, raise the hackles of institutional shareholders. Last August, the Association of British Insurers issued "best practice" guidelines for companies. There is no compulsion for companies to follow ABI guidelines on Esops, but they risk the ire of big institutional shareholders in ignoring them.

"The additional interest which is now developing in Esops and Esots (trusts) is welcomed in the context that they can genuinely result in wider share ownership. Such schemes however are increasingly being advocated as providing a means of building up 'an anti-takeover stake'," the ABI wrote in its paper.

According to the ABI, any anti-takeover mechanism which prevents existing shareholders from recognising the full value of their investments is a bad thing. Its guidelines say that no more than 10 per cent of a company's shares should be held by employees and management as a group, *with each limited to 5 per cent.* "Where an Esop or Esot would be capable of building up a holding of more than 5 per cent of a company's issued ordinary share capital, the arrangements should be first submitted to shareholders for their prior approval," the ABI said.

Mr Tom Crombie, investment chief at Scottish Equitable, says that the ABI guidelines appear to have had the *desired effect. "Most of those* wishing to increase their shareholdings discuss it with the ABI's investment committee first and are turned down."

According to Mr Robin Garrow, investment manager at Scottish Widows: "As long as employee shareholdings are relatively insignificant, we think they are a good thing."

Legal and General's Mr Rough says that he is concerned about how Esops are financed. US-style Esops are typically arranged with bank borrowings secured on the shares themselves. Thus, if the value of the shares fall, the lender will demand additional collateral, possibly in the form of more shares.

Concern about financing Esops has led to some innovations to prevent precisely that scenario. In June 1990, Exxon Corporation, the US-based oil concern, raised $174m by selling notes of a special vehicle set up to hold a $220m pool of its own shares for an Esop.

However, the investment community is divided over stock option plans for senior management, in particular directors. The odds are greater that these shareholdings will act as an anti-takeover mechanism, says an ABI official.

But even if directors' holdings remain within the 5 per cent ceiling, how the shares should be awarded to them is still an issue. The ABI view, consistent with Inland Revenue rules on the taxation of *stock options, says that options* may be offered to directors at a discount of up to 15 per cent on the offer date – with the caveat that they should not be exercisable for at least five years. The restriction is intended to prevent managers from taking a quick profit and moving to another company.

However, the Institutional Fund Managers Association says that system is too generous *to ineffective managers* and affords too little incentive to see that the shares perform well. "If the shares do nothing for five years, the directors have made a profit," says one IFMA member. Instead, the trade association says directors should simply be offered the right to buy shares five years hence at a price equal to the current one. Only if the share price rises more than inflation will they have made a profit.

TAX INCENTIVES

Beyond the boardroom

THE SUCCESS of share ownership schemes in Britain is inextricably – although far from exclusively – linked to the tax system.

The Inland Revenue had recognised three different types of "approved" employee share schemes awarded tax advantages since the late 1970s. The jury is still out on how successful they have been.

Profit-sharing schemes, introduced in 1979, allow a company to allocate free shares to its employees. The shares are not subject to income tax, although there may be a capital gains tax liability.

Savings-related share option schemes, created by the 1980 Finance Act, allow a company to grant options to employees to buy shares using the proceeds of *save-as-you-earn* savings contracts.

By contrast to these two all-employee schemes, a third set up under the 1984 Finance Act requires less universal coverage. Discretionary share option schemes allow a company to grant selected employees options to buy shares.

The latest Inland Revenue statistics, issued in February, for the take-up in the year to *March 1991, show a decline in* two of the three schemes. Only those with savings-related share option schemes (where employees can keep the interest-free savings allocated for their contribution in place of buying shares) rose, with an increase of 80,000 to 540,000 people covered.

The number of employees in profit-sharing schemes dropped by 20,000 to 900,000 and the number granted discretionary share options fell by 35,000 to 65,000. This is no doubt partly driven by the recession, which has made shares less attractive to potential investors and employers less willing to award incentives.

There was little encouragement to spread employee ownership further in Mr Norman Lamont's 1992 budget proposals. However, there were two significant changes in last year's Finance Act, which came into effect at the beginning of this year: one to encourage executives to promote schemes among their employees; and the other to allow share option beneficiaries to roll their shares into PEPs.

In his 1991 budget speech, Mr Lamont, the chancellor of the exchequer, expressed dissatisfaction that most employee share schemes "have been directed solely at highly paid company executives".

To extend benefits beyond the boardroom, he considered using a stick but ultimately opted for a carrot when the bill was introduced. Directors would be given extra incentives if they publicised the presence of a scheme for which all employees were eligible.

ADVANTAGES OF EXECUTIVE SHARE OPTION SCHEMES

Advantage (% of responses)	Executive share options	Share-Save schemes	Profit sharing
Increases company loyalty/retains senior executives	37	38	33
Incentive/motivation/reward/job satisfaction	29	41	34
Creates feeling of company "ownership" among management	10	4	27
Creates awareness of need to work/ encourages performance	8	15	2
Aid recruitment of senior executives	5	2	-
Matches competition	2	-	2
Cost-effective benefit for company and employee	-	-	6
Other	5	7	2
No advantage	7	-	4
Don't know/no reply	20	24	18

Percentages exceed 100 per cent because of multiple answers
Source: Stoy Benefit Consulting

DISADVANTAGES OF EXECUTIVE SHARE OPTION SCHEMES

Disadvantage (% of responses)	Executive share options	Share-Save schemes	Profit sharing
None	45	43	57
Drop in share price/loss of benefits; lack of motivation if share price falls	21	14	-
Administration burden/cost	5	5	8
Employees wait to receive options before leaving	1	1	-
Employees tied in to scheme	1	1	-
Other	15	6	-
Don't know/no reply	15	16	14

Source: Stoy Benefit Consulting

Until the amendment, it was a condition that any executive share option scheme seeking approval by the Inland Revenue had to ensure that the price payable for share options when exercised should not be less than the share value when the option was first granted.

The chancellor considered using a stick but opted for a carrot. Directors would be given *extra incentives to publicise a scheme for* which all employees were eligible. But there is no requirement for employees to participate

Under the new arrangement, which came into effect at the beginning of 1992, executives were permitted to receive up to a 15 per cent discount on this initial price provided that an all-employee scheme was in place and publicised to their staff.

The problem – which caused surprise among many commentators in view of the rhetoric – is that there is no requirement for employees actually to participate in such a scheme. In fact, in the most extreme case it could mean that a company could merely discreetly make employees aware of a scheme without ever *setting one up.*

"You don't have to have offered participation but merely communicate its existence," says Mr Calvin Jackson, a principal with Coopers & Lybrand Deloitte. "You could just put a note in with employees' pay slips that a scheme exists."

While employees may have been given little encouragement as a result of the change, executives have since had much of the attraction of the perk to them wiped out, too. Tough guidelines issued by the Association of British Insurers and the National Association of Pension Funds have made it much more difficult to claim the 15 per cent discount by linking it to tough performance targets.

Very few executives appeared to have taken full advantage of the discounts, at least in part as a result of these restrictions. "Most professional observers would say the ABI has probably overcooked it," says Mr Jackson.

The second key tax change introduced in the 1991 budget was to allow beneficiaries of an all-employee share options scheme a chance to roll their shares into a single company PEP within 90 days of exercising their right to buy them. That removes the need to pay any capital gains tax on the shares.

Again, it is rather early to assess the success of the initiative: the practice only became *effective from the beginning of* this year. However, Mr Jackson says that early indications on the take-up appear to be positive.

The tax system has also had more subtle effects on the popularity of different employee share schemes. Mr Brian Freeman, managing director of Stoy Benefits, says that there has been an explosion of interest in unapproved schemes: *those ones which are not* approved by the Inland Revenue.

There are no official statistics but Mr Freeman says that, based on conversations with his counterparts in other consulting firms, he estimates that 500 or 600 companies now have such schemes.

Before 1988, with a considerable gulf between income tax and capital gains tax rates, the *advantage of approved* schemes was clear and unquestionable. Unapproved schemes were liable to income tax. Approved schemes would be charged CGT only when any shares were later sold.

Now the rates are so similar that Mr Freeman says: "People do not care so much as they used to whether schemes are approved or not." However, Mr Jackson says: "Unapproved schemes have rather more unfriendly tax regulations. I think I would prefer to be in an approved scheme."

It is difficult to quantify how many people retain their shares even once they have exercised an option to buy them in the short-term. Take-up figures aside, Mr Freeman questions the long-term effectiveness of employee share schemes. "I am not sure of the extent to which they engender a real feeling of wider share ownership," he says.

Andrew Jack

Sparks fly over electric car

Fiat is undeterred by the limits of battery power, writes **John Griffiths**

Next month Fiat, the Italian car maker, will start selling an electrically-powered version of the Cinquecento, its new Polish-built mini car. At around L26m (£12,000) in Italy, the Cinquecento Elettra will cost roughly 2.6 times as much as a well-equipped petrol version.

It will have a maximum range of 70km in urban driving conditions and a top speed of 80kph. Where the rear seats of the conventional model will accommodate two adults in surprising near-comfort, the Elettra has only a raised platform behind the front seats, beneath which resides a lead acid battery pack weighing more than 700lbs. The Eletra is thus strictly a two seater.

Even the most senior figures behind its introduction, Ettore Panizza, technical director of Fiat's electrical and electronic systems division, and Fabio Massimello, production and marketing director of its electrical vehicles programme, acknowledge that its performance is "miserable" in comparison with the Cinquecento's petrol-engined versions.

The Elettra, like an electric version of the more basic Panda which preceded the Polish-built car into production, exists because it is Fiat's conviction that Italy's cities will soon legislate an electric vehicle industry into being.

The legislation will not be identical to that of California, where any manufacturer wishing to sell more than 35,000 cars a year will have to make at least 2 per cent of them "zero emissions" (electric) starting in 1998. But Massimello forecasts that it will be just as effective.

From 1994-95, he says, cities across Italy will start closing their centres to all but electric cars. Limited closures are already taking place in Modena and Florence, where pollution monitoring equipment shows unhealthy pollution levels being reached. But so far they have been mostly haphazard, temporary or — as in the case of Rome — simply flouted through loopholes.As the trend spreads, so Fiat sees its electric car sales inexorably rising. "At present, I think we will sell only 150-200 in 1992-93, rising to 400-500 in 1994 and 1,000-1,500 in 1995," says Massimello. "But then we see a sharp rise — to 5,000 in 1996, 10,000 in 1997 and 20,000 in 1998." By 2000, Fiat expects the Italian market alone to be absorbing 70,000.

Massimello agrees with Jean Yves Helmer, director in charge of the electric vehicles programme at France's Peugeot, that by the end of the decade Europe overall will be providing a market of between 200,000-250,000 electric cars a year.

Like Peugeot, Fiat stresses the financial burden of developing purpose-built EVs (electric vehicles) for a market that currently does not exist. "But at a volume of 10,000-15,000 units a year it becomes financially viable to develop and manufacture purpose-built electric cars," says Panizza.

"Ordinary" cars such as the Cinquecento or the Peugeot 106 are not ideal for adaptation. Produced in steel, they are heavy, and lack a specially designed bulbous bodyshell which could compensate for the bulky battery and allow more room for passengers.

Perhaps the ultimate current demonstration of what purpose-building an electric car can achieve is provided by the General Motors Impact. Lightweight composite materials and low-drag aerodynamics give it a top speed of more than 100mph. Production is scheduled to start in three or four years. However, neither Fiat nor Peugeot is concerned about such high performance — at least for European markets.

They see electric cars "as a little car, for the city only", says Massimello.

After a great deal of market research, Fiat has found that most people require a maximum range of 35km per day. Since the average speed of traffic in a typical Italian city is 12-15 kilometres an hour, the range seems sufficient.

Even so, the Elettra is likely to be bought by only the most ardent — and well-heeled — environmentalist. Not surprisingly, after more than a year of availability, the electric Panda has sold almost exclusively to companies with a vested interest in the electricity supply industry.

To ease the transition, Fiat's EV programme leaders expect future governments to provide VAT exemption and possibly other fiscal incentives to encourage EVs.

"It is very important to try to get cost closer to that of an ordinary car," says Massimello. "A customer might be expected to pay 10-15 per cent extra, not 2.6 times extra," he says. Not least, he acknowledges, this is because there is little prospect of an EV ever being a direct substitute for an "ordinary" car. "It will be only the second or third vehicle in a family," he believes.

"Hybrid" cars may provide the alternative. A small diesel or petrol engine is used to charge batteries which will allow the car to use electricity only in cities, but can also power the car over a much longer range outside cities. Fiat thinks that hybrids offer a more realistic solution but even in fairly high-volume production they are likely to cost 40 per cent more than a conventional car.

The EV industry's development in Europe has serious implications for component suppliers. Fiat believes that a pan-European collaboration is required between manufacturers. To help make that possible, there is a perceived need for an EC legislative framework to deal with safety and other construction and use implications as the industry develops.

European legislators should be helped by the example of the US, which is already much ahead in assessing issues such as the chemical safety of some advanced batteries — high-temperature sodium-sulphur, for example — and permissible voltages within the power train.

The electric motors, charging systems, accumulators and other technical ingredients of the Elettra come from several sources, including in-house Fiat operations. In no sense do they represent a long-term commercial supply structure.

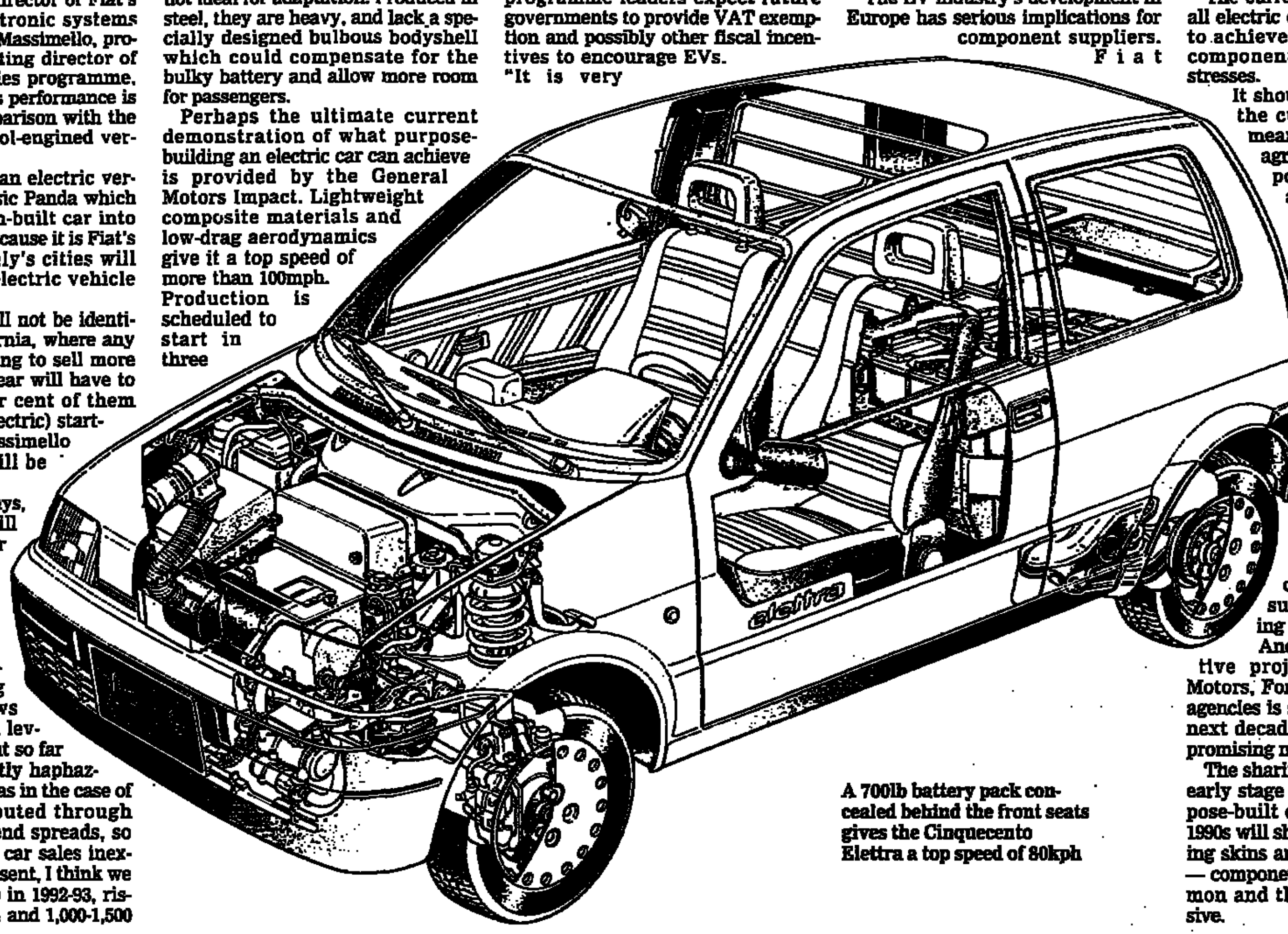
The current price disadvantage of all electric cars requires a big effort to achieve economies of scale in component production, Panizza stresses.

It should be possible to halve the current costs. But that means Europe's car makers agreeing to share core componentry. For example, although Fiat has the capability to build an electric drivetrain in house, "suitable electric motors need to be produced at a rate of at least 1,000 a day to get a financial return", says Massimello. So it would make sense, he suggests, for production to rest with specialist motor producers already expert in the field.

There is already a trend in Europe towards sharing research and development in areas such as batteries, according to Fiat.

And in the US, a collaborative project between General Motors, Ford, Chrysler and federal agencies is spending $1.2bn over the next decade to establish the most promising new battery technologies.

The sharing of specifications at an early stage may mean that the purpose-built electric cars of the late 1990s will share — under their differing skins and manufacturers' labels — components that are mostly common and thus relatively inexpensive.



A 700lb battery pack concealed behind the front seats gives the Cinquecento Elettra a top speed of 80kph

Technically Speaking

An election vote for science

By Clive Cookson

TWENTY senior scientists have made a valiant effort to make science an issue in the UK general election, by writing to the Times to protest at the damaging impact of Conservative policies on research (though they could not bring themselves to endorse either Labour or the Liberal Democrats instead.)

If they are even half right in claiming that the decline in scientific morale is "one of the principal disasters in Britain in the past 12 years," then science and technology deserve a far higher profile than they have had in the campaign so far.

The party manifestos make only a few glancing references to science. The Conservatives put forward a general statement of their belief in investing in research but no new ideas. The Liberal Democrats have plenty to say about environmental research but little about science, apart from promising an immediate boost in spending on basic research. Labour is not offering scientists more money straightaway but does have a few innovative proposals, including a cabinet-level minister for science and a 25 per cent tax credit to encourage R&D.

There are several reasons why science habitually occupies a low place in the hierarchy of electoral issues. One is simply that scientists tend to be less interested in politics than other professional groups. They are too preoccupied with their experiments, and increasingly with writing proposals for research grants, to devote time and energy to lobbying politicians. There are a few exceptions to this general rule – most notably Denis Noble, the Oxford physiology professor who organised the Save British Science campaign.

At the same time politicians are uncertain about the real purpose of investing in science. As the Conservative manifesto says, research "enriches the quality of our lives and provides the feedstock of industrial innovation".

But the view of science as a cultural activity puts it into competition for funds with the arts, which are much less expensive to sustain. And the link between science and industrial success is hard to prove; it operates on a timescale of decades – beyond the horizons of electoral politics.

The issue is clouded further by various myths and misconceptions. One is that *Japan achieved its triumph in industry without a strong science base and is now investing in basic research as a luxury it can afford.*

To make matters worse for science, there is a folk memory in British politics about Harold Wilson's "white heat of technology" campaign in the 1964 election. That was exciting at the time but after it had congealed into a series of technological white elephants, the feeling was that the campaign had made Wilson and the Labour party look slightly ridiculous in the long run.

The "white heat" campaign has made it less likely that British politicians will get really excited about science and technology again. There is certainly no chance of that happening during the current campaign.

The politician with the strongest grasp of scientific issues today is Jeremy Bray, Labour's science spokesman since 1983. His patient low-key style has won friends for Labour in university science departments and research institutes but many doubt whether he could bargain forcefully for extra funds as science minister in a cash-strapped Labour government.

None of the three party leaders shows much personal interest in science, though Paddy Ashdown is keen on aerospace and information technology. But as the former research chemist Margaret Thatcher showed, a scientific background offers no guarantee that a politician will take a sympathetic attitude to the subject. Many scientists believe that another government headed by John Major would treat research better than the Thatcher governments of the 1980s.

Whatever the outcome on April 9, the best way for scientists to ensure better treatment for R&D is to speak out more forcefully in public. Their statement yesterday was a good start.

COMPANY NOTICES

ANNUAL GENERAL MEETING

Notice is hereby given that the 151st Annual General Meeting of Provident Mutual Life Assurance Association ("the Association") will be held at the Barber Surgeon's Hall, Monkwell Square, London EC2Y 5BL on Wednesday, 15 April 1992 at 12.30pm, for the following purposes:

Resolutions:

1. To adopt the Report and Accounts for the year ended 31 December 1991.
2. To re-elect Mr Peter Baring, who retires by rotation, as a Director of the Association.
3. To re-elect Mr Brian Richardson, who retires by rotation, as a Director of the Association.
4. To re-elect Mr Colin Edward Hughes, who retires by rotation, as a Director of the Association.
5. To re-elect Mr John David Neville, who retires by rotation, as a Director of the Association.
6. To re-appoint Price Waterhouse as Auditors of the Association to hold office until the conclusion of the next Annual General Meeting.

Mrs V G C Steadman
Company Secretary
4 March 1992

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Association. A form of proxy may be obtained by writing to the Company Secretary at the Association's Head Office.

EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Association will be held at the Barber Surgeon's Hall aforesaid at 12.40pm, or so soon thereafter as the 151st Annual General Meeting convened, for the same day and place shall have been concluded or adjourned when the following resolution will be proposed as a special resolution:

That the draft Rules and Regulations of the Association, which are submitted to the meeting and a copy of which has been signed by the Chairman for the purposes of identification, be and are hereby adopted forthwith in place of the existing Rules and Regulations of the Association.

Mrs V G C Steadman
Company Secretary
4 March 1992

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Association. A form of proxy may be obtained by writing to the Company Secretary at the Association's Head Office.

Copies of the draft Rules and Regulations and of an explanatory leaflet summarising the proposed changes to the existing Rules and Regulations are available on request from the Company Secretary.

Provident Mutual Life Assurance Association
Head Office and Registered Address
PO Box 568, 25–31 Moorgate, London, EC2R 6BA
Registered Number 8870

PROVIDENT MUTUAL

LEGAL NOTICES

INSOLVENCY ACT 1986
NOTICE TO CREDITORS
BRAVO COMMUNICATIONS SYSTEMS LIMITED
(In members' voluntary liquidation)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 30th day of April 1992, to send their names and addresses with particulars of their debts and claims to the undersigned Ipe Jacob and Neil Hunter Cooper of Robson Rhodes, 186 City Road, London EC1V 2NU the Joint Liquidators of the company, and if so required by their solicitors to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Note: This notice is purely formal and all creditors have been or will be paid in full.

Dated 18th day of March.
Ipe Jacob and Neil Hunter Cooper,
Joint Liquidators.

LEGAL NOTICES

CANNON ESTATES LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48 (2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named Company will be held at the offices of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY, on the 3rd day of April, 1992 at 10.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if:

a) they have delivered to us at the address shown above, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

b) there has been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 12th day of March 1992
N. Boddock and N. H. Cooper
Joint Administrative Receivers

IN THE MATTER OF
BRAVO COMMUNICATIONS SYSTEMS LIMITED
AND IN THE MATTER OF
THE INSOLVENCY RULES 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that Ipe Jacob and Neil Hunter Cooper of Robson Rhodes, 186 City Road, London EC1V 2NU, were appointed Joint Liquidators of the above company by the members on 5th March 1992.

Dated this 18th March 1992
Ipe Jacob and Neil Hunter Cooper,
Joint Liquidators

Leonardo the magnificent

William Packer

This year, through the early summer, the Palazzo Grassi, Fiat's cultural institute on the Grand Canal at Venice, offers us an art historical and aesthetic treat. *Leonardo & Venice* (until July 5: sponsored by Fiat) is a sustained attempt to see him not as the *profound* and unique master, *sui generis*, which is how he is customarily regarded, but set rather into the proper working context of his time. As such it immediately breaks new ground and could hardly be more important, for all that it leaves the visitor not unconvinced but as *tantalised* as ever.

The questions pour in. Why Leonardo and Venice: why not Florence, most obvious all; why not Milan, Rome, France? Leonardo was born in 1452 and died in 1519, yet beyond the well established framework his life remains a shadowy and uncertain affair. Details, circumstances, movements emerge elliptically here and there, by chance reference, a note here, pure surmise there. We know that he travelled widely, especially during his first long period at the Sforza court at Milan, from 1482 until 1499. Yet we are certain of only one visit to Venice, of three months early in 1500.

The choice of Venice, therefore, may be one more of opportunity than priority, yet in the event it proves entirely justified. There is an important group of drawings by Leonardo in the collections of the Accademia at Venice. How they came to be in Venice in the first place is uncertain. Were they left by the master himself, fragments scattered around the studios he worked in or visited in his brief stay, to be collected later? Whatever the case, they had not been shown before in an international context. Here they are set out in the themes into which they naturally fall – adorations, military studies, the proportions of the figure, studies for the Last Supper, Madonnas, heads, grotesques – and, for the first time, compared directly with works from the world's principal Leonardo collections, most notable of all the Royal Collection at Windsor.

Insensibly, with the presentation of each theme, so the broader implications are registered, the connections made which the second half of the exhibition proposes and explores. One commentator in the wonderfully exhaustive and exhausting catalogue – for it is nearly two inches thick – supposes those three months in 1500 too short a time in which to come to terms with the richness and complexity of Venetian art. Perhaps so, but there was rather less of it then than now – no Titian as yet, no Tintoretto, no Veronese, and no San Giorgio in its present state, no Redentore, no Salute. Leonardo was a remarkable man and already a celebrity, and commonsense suggests he would have the freedom of the place to see what he wanted to see, meet whom he wished to meet.

The questions begged are what he knew if it already, of Bellini in particular, and what was known of him, that would affect the rising generation of Giorgione, Sebastiano and the precocious Titian. Can it really have been so, that Leonardo, with all his natural curiosity, made only the one visit to that magical city? The exigencies of travel in the late quattrocento notwithstanding, Milan was not so very far away. His schemes for the hydraulic defences of the Veneto presuppose a certain familiarity with local resources and terrain. The magnificent equestrian monument to Colleoni by Verrocchio, the master in whose studio he had worked and studied in the 1470s, completed but uncast before his death, had been set up before the great church of SS Giovanni e Paolo in 1496, where it still stands.

Certainly the progress of Leonardo's great mural painting of the Last Supper was monitored through the later 1490s far beyond Milan, and at Venice curiously it is in sculpture quite as much as in painting that the reference is made apparent. The Ca' d'Oro relief attributed to the studio of Tullio Lombardo is an almost direct transliteration into stone of the central group of figures in the composition. And Lombardo's exquisite pair of heads in bas-relief, from Vienna, clearly casts that mood of gentle, almost elegiac ecstasy so characteristic of Leonardo's adoring Madonnas. It is perhaps too fanciful to sense, in return, in the general composition of the Last Supper, with its high and frontal presentation, a formal echo of the high stage-like chancel of Pietro Lombardo's Santa Maria dei Miracoli, finished in 1489.

It is upon this quality of mood, atmosphere and emotion, intangible at the best of times, that the question of Leonardo's lasting influence upon Venetian painting would seem to rest. In particular it rests upon the equally shadowy and debatable figure of Giorgione, who held the pass between Bellini and Titian, and died too young. Leonardo had nothing technical to teach such a master as Bellini, yet is it entirely true that Bellini's work lacks the emotional force that Leonardo was able to pass on to the younger man? Bellini's work can be as moving as anything of anyone's, as his Madonna with St Catherine and the Magdalen here clearly proves, yet the emotional force is contained, implicit, contemplative rather than openly expressive.

With Leonardo comes something more actively emotional and expressive which, being more active, brings with it a sense of realism that, within the context of Italian art, is quite new. And to move on from Bellini and Leonardo to Giorgione's extraordinary painting of *la Vecchia*, an ageing woman, worn out by work but not yet ravaged by age, is to confront one of the first great images of the modern era. We look on, suddenly, to Velasquez, Goya, Gericault, Degas... Such is the *Maniera Moderna* of Venice and Leonardo around 1500, albeit not quite the modern manner the renaissance scholar might choose to admit.

LEONARDO AND VENICE
Sponsored by Fiat
Palazzo Grassi until July 5

Leonardo da Vinci's sketch of an old man wearing a golden laurel wreath

Weekend music in London

The Brahms Experience

Richard Fairman

The choice of Brahms as the focus for this latest of Roger Norrington's "Experience" weekends worked out surprisingly well. The composer himself was well aware of his own musical sources, and so there was plenty of background material on which the intellect could feed, while the aural experience of hearing his music on period instruments is still new enough to seem a novelty.

The two-day programme followed the customary pattern. Under Norrington's watchful eye a mixture of lectures and short recitals alternated, culminating on Sunday night in a performance of Brahms's *German Requiem*; the atmosphere was pleasantly relaxed rather than didactic.

All the musical events were given on instruments of Brahms's own time. Some work has of course already been done in this area, notably by Roger Norrington himself, who has made a start on the symphonies; but there is still much to learn, notably when it comes to hearing the chamber music in a new light.

The first afternoon brought contrasting successes and failures in this respect. The short programme of songs by Olaf Bär and John Toll brought a pleasingly light touch to what can all too easily seem lugubrious music, Bär's graceful and somewhat carefully produced baritone being well complemented by the clear tones of the fortepiano. But the reverse side of period instruments then showed itself, when the following chamber recital for strings brought an uncomfortable display of scratchy tone and poor intonation.

That, presumably, is all part of the "experience". Most interesting of all was the Saturday evening programme, in which a potted history of Brahms's interest in earlier choral music was linked to the forthcoming performance of his Requiem. That the composer was an admirer of Schütz and Bach is well known. To hear a Benedictus by Gabrieli, however, performed according to the expressive markings with which Brahms annotated his own score, is another matter entirely and one pregnant with possibilities for the future.

It was the Schütz Choir of London which had worked with Norrington to perfect all the smallest dynamic shadings and emphases there, and the same singers, though increased in number, who joined the London Classical Players for the main evening concert on Sunday. Lynne Dawson was the bright soprano and Bär returned as a most expressive baritone to complete the forces for the *German Requiem*.

As befits a week-end course of this kind, it was a performance in which all the strands of scholarship were brought together. For this was music-making of considerable intensity and learning, every phrase thought about and consciously shaped in much the way that the Gabrieli under Brahms's own instructions had been the evening before. The recording that will ensue should repay long study: the tangible product from an enterprise of which one hopes we have not heard the last.

Queen Elizabeth Hall
Sponsored by National Westminster Bank

The BBC Symphony Orchestra

Why do audiences so stubbornly resist the BBC Symphony Orchestra's winter concerts? The new policy of giving concerts in Barbican Hall has not, alas, improved matters. Friday night's concert under the orchestra's chief conductor Andrew Davis was more like a studio session.

It was, of course, a recording session as well – all BBC Symphony concerts are – and Radio 3 listeners will presently be able to seize the opportunity, even if the London public did not, of comparing two important British works of 1948, both well-known but not too often given of late. Admittedly there is something about Vaughan Williams's sixth symphony that all too vividly recalls the recording studio, the film sound-track, the wartime Pathé News. But it is full of interesting features. The subtle eliding of four movements into a continuous structure is one – an old trick, but freshly appealing here; another is the complex but sharp-kicking metrics; and a third is the startling use of a saxophone – one of those brazenly colouristic effects which mark out the composer's later symphonies.

Davis tilted into the performance with gusto, and the result was a bitingly exuberant sound, *crackling* with trombones, a sound at once bitter and buoyant as the mood of the piece demands. The third movement's hysterical tumult and the Epilogue's oddly disconcerting ethereal serenity were well caught. If the *Moderato* second movement with its eerily lamenting strings and drum alarums suggested Ives or Shostakovich at half-cock, that was not the conductor's fault.

Whereas Vaughan Williams made something new or newish out of a traditional form, the *St. Nicolas* cantata, Op. 42, with which the 35 year old Britten astonished the congregation at Lancing College Chapel a few months after the 76 year old's symphony was premiered is utterly original, a work of amazing genius and simplicity. The simplest strokes are typically those of purest genius, as when the solo treble's refrain "God be Glorified!" in the waltzing "Birth of Nicolas" is dramatically taken over at the end by the mature tenor with an accompaniment of loudly ceremonious organ chords.

One missed the power of a cathedral instrument at that point, but Benjamin Dawson's treble, wafted from on high, was exquisite and Anthony Rolfe Johnson's tenor here and throughout was passionate, atmospheric, magnificent. The church rituals of the work (including congregational hymns) were well-faked, and the BBC Symphony Chorus and (placed on the lower balcony) women of Trinity College of Music Chamber Choir sang with keen clarity and beauty.

Paul Driver

A new 'Hoffmann' from the Boston Lyric Opera

Boston is where Sarah Caldwell presented *Norma* with Wagner's added aria, and *Don Carlos* with the passages that Verdi cut. (Also the American premieres of *Montezuma, Intolleranza, The Ice Break, Taverner, Die Soldaten,* etc.) Her grand Opera House, alas, is boarded up at the moment, her Opera Company of Boston in the red. But a younger company, the Boston Lyric Opera, keeps going, and maintains proper Bostonian tradition by presenting a new, fuller-than-ever-before version of *The Tales of Hoffmann*.

Hoffmann has a textual history even more tangled than that of *Carmen, Don Carlos,* or *Candide*. In brief: Offenbach died while work was in progress; Carvalho gave the premiere (1881) without the Giulietta act; for Vienna, Guiraud wrote recitatives to replace Offenbach's mixture of recitative, melodrama (words spoken over music), and spoken dialogue. In *Monte Carlo* (1904), *Gunsbourg* and the composer André Bloch created a new Giulietta act, adding "Scintille, diamant" and the Sextet, based on Offenbach melodies. And this became the standard version until Arthur Hammond, Felsenstein, Colin Graham, Bonynge and others sought to tidy and tighten the work, using the scanty sources then available.

In 1976, 1250 autograph pages turned up in the Offenbach estate; Fritz Oeser used them for his edition, but added fresh corruptions of his own. Another 350 pages turned up at Sotheby's in 1984; they were used for Michael Kaye's edition, which had a partial premiere (with Domingo) in Los Angeles in 1988 and has been recorded by Philips. Further work, and the discovery of the 1881 libretto submitted to the censors, enabled Kaye to refine and amplify the edition, which had its premiere in Boston this month.

Does it matter? Musically, *Hoffmann*, Offenbach's only shot at a serious opera, cannot (despite some pretty numbers) hold a candle to *La Belle Hélène* or *Orphée aux enfers*. Its dramaturgy – discrete Hoffmann tales gathered into a frame of the Poet, his Various Loves, his Evil Genius, and his Muse-Companion – resists serious, consistent handling. Is Lindorf the villain? His music is sinister; he shatters Olympia, drives Antonia to death, steals souls and gets people killed in Venice. Or is he the Muse's accomplice, freeing the Poet from distracting entanglements? Is he a dark side of Hoffmann himself – an earlier Mittenhofer – who sacrifices people so that he can turn their suffering into art? Is the fourfold heroine – heartless beautiful doll, self-centred artist, passionate courtesan, great prima donna singing Donna Anna – Offenbach's compound portrait of Woman?

Needless questions! *Hoffmann* works best as a tuneful divertissement with a teasing hint of earnestness, no more, at its core. Many people evidently do care about it; new productions keep turning up. There can be no "definitive" version; Kaye's edition has alternative finales for Venice – one sung, the other spoken over music, and both by Offenbach – and alternative apotheoses. But directors can now make their choices from all the music that Offenbach left, not simply from what Guiraud made of it, and Bloch added to it, and Oeser (freely reorchestrating, transposing, adding) contrived.

The revelation of the Boston performance was the easy, natural flow between speech, melodrama (speech over music), recitative unmeasured, measured recitative, and song. There was music unheard before: a new version of the Muse's first romance; a Giulietta chanson running up to high D; song for Stella and the Muse in the finale; in the apotheosis, a touching farewell from Stella-Olympia-Antonia-Giulietta, yielding Hoffmann to his destiny but reminding him that memories of her will play a part in it. The orchestration, thanks to the newly found pages, is now Offenbach's own. The Venice act was almost wholly new and made some sort of sense for the first time.

It was a long evening. One felt that Offenbach would surely have cut it. It would have seemed less long had the singers been lighter, more charming of timbre, verbally acute, less loud. John Fowler, the Hoffmann, headed for high notes, which rang out freely, but sang much else in a reinforced snarl. Patricia Racette, the heroine, was an entertaining, captivating Olympia, and a moving Antonia when she sang softly; but often she sang loudly and lost any limpidness. Stephen West, as the multiple villain, roared out on approximate pitches – a sad decline from his promising Sachs in Seattle a *few* years ago. All three should work for a while with *Les Arts Florissants* and discover that pure, forward declamation and unforced tone mean more than pumped-up volume.

Stephen Lord, the Lyric's music director, conducted. He kept things going but pushed through some phrases that needed time to breathe. James Robinson's production included some silly ideas – the male choristers at Spalanzani's party were all bespectacled Hoffmanns, the women all dolls – but was generally acceptable. So was Richard Isackes set.

About Caldwell shows one never used so tame a word as "acceptable". Whether of old or new operas, they were arresting. She may have been improvident, impractical, reckless; the musical execution was sometimes hit-or-miss; but she made Boston a fiery centre of American opera. May she soon be active again: without her (and without the Peter Sellars rival company once announced) there is less reason to visit Boston – except when something like this *Hoffmann* turns up. And even while hearing it, one thought what Caldwell and her company (who produced the Felsenstein version in the 1960s) might make of it.

Andrew Porter

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Gustav Leonhardt, Sigiswald Kuijken and others in a programme of vocal and instrumental music by Froberger, Frescobaldi and the Bach family. Tomorrow, Thurs, Fri: Hans Vonk conducts the Royal Concertgebouw Orchestra. Sat afternoon: Arnold Ostman conducts Rossini's La donna del lago. Sun afternoon: Bach's Matthew Passion (6718 345)
Muziektheater 20.15 Dutch National Ballet in new choreographies by Ashley Page and Toer van Schayk, plus Ashton's Scènes de ballet. Runs till April 7, with next performances tomorrow, Fri and Sat. Thurs: Mozart's Mitridate (6255 455/credit card bookings 6211 211)

■ BOLOGNA

Teatro Communale 20.30 Daniel Oren conducts Alberto Fassini's production of Francesca da Rimini, with a cast led by Raina Kabaivanska. Runs till April 8, with next performances on Thurs and Sun afternoon. Fri and Sat: Daniele Gatti conducts Mahler's Sixth Symphony (529999)

■ BUDAPEST

SPRING FESTIVAL
Concerts: Hans Sotin is soloist *in tonight's Wagner concert at* the State Opera. Tomorrow: piano recital by Zoltan Kocsis at the Budapest Convention Centre. Thurs: Lamberto Gardelli conducts the Hungarian State Symphony Orchestra in works by Nielsen and Tchaikovsky, also at the Convention Centre, Fri at the Academy of Music: choral works by Lutoslawski and Andrew Lloyd Webber. Sat: Rossini concert at Matthias Church, Szentharomsag ter. Sun: Andras Ligeti conducts choral works by Kodaly and Liszt.
Opera/Dance: the State Opera has Bartók's Duke Bluebeard's Castle tomorrow, La bohème on Thurs, a ballet by Bela Szakcsi-Lakatos on Fri and Sat, and Falstaff on Sun. The Gyor Ballet performs tomorrow at the Budapest Sports Hall, Hungaria krt 43.
Theatre: the national gathering of chamber theatres takes place this week at the Janos Arany Theatre, Paulay Ede u 35. The Vienna Volkstheater production of Lessing's Minna von Barnhelm can be seen tonight at the Comedy Theatre, Szent Istvan krt 14.

● The festival ends on Sunday. Information and tickets from Festival Ticket Office, Vigado ter 1 (foyer of Pest Concert Hall).

■ GENEVA

Victoria Hall 20.30 Dennis Russell Davies conducts the Orchestre de la Suisse Romande in music by Haydn, Elliott Carter and Debussy, repeated tomorrow. *Sun at 17.00: Jesus Lopez-Cobos* conducts the Lausanne Chamber Orchestra (292511)
Comedie 20.00 Chekhov's The Seagull, directed by Philippe Sireuil. Daily except Sun and Mon till April 4 (205001)
Théâtre de Carouge 20.15 Sigmund, Monique Lachère's new play about Freud. Runs till Sun (434343)

■ LONDON

DANCE
Sadler's Wells 19.30 Birmingham Royal Ballet in world premiere of new ballet by Oliver Hindle, plus Galina Samsova's production of Les Sylphides and Hans van Manen's 5 Tangos. Repeated tomorrow and Thurs (071-278 8916)
Covent Garden 19.30 Royal Ballet triple bill: choreographies by Kenneth MacMillan and Balanchine. Tomorrow: MacMillan's Manon (071-240 1066)
MUSIC
Royal Festival Hall 19.30 Claus Peter Flor conducts the Philharmonia in symphonies by Haydn and Beethoven, with John Wallace soloist in Hummel's Trumpet Concerto. Tomorrow: Rattle conducts the CBSO (071-928 8800)
Barbican 19.45 Andrew Litton conducts the Royal Philharmonic Orchestra in Rakhmaninov's Second Piano Concerto (soloist Dmitri Alexeev) and Beethoven's Seventh Symphony. Tomorrow: Julia Varady sings Strauss' Four Last Songs. Thurs: Warsaw Philharmonic. Fri: Andrew Davis *conducts Nielsen's Fifth* Symphony (071-638 8891)

■ NEW YORK

JAZZ
Blue Note Jazz Club and Restaurant Phyllis Hyman brings her special brand of sensuality and soul to the Blue Note this *week, with showtimes at 21.00* and 23.30 (475 8592).
CONCERTS/OPERA
Carnegie Hall 20.00 Piano recital by Maurizio Pollini, with music by Beethoven, Nono and Debussy. Fri: a salute to Andrew Lloyd Webber. Sat and Sun: Charles Dutoit conducts the Montreal Symphony Orchestra (247 7800)
Metropolitan Opera 18.30 James Levine conducts Parsifal, with Siegfried Jerusalem, Bernd Weikl, Kurt Moll and Waltraud Meier. Tomorrow: Rigoletto. Thurs: Elektra (362 6000)
State Theater 20.00 St Petersburg National Opera in Queen of *Spades, also tomorrow. Thurs* and Fri: Boris Godunov. Sat: The Golden Cockerel (307 4100)

■ PARIS

Théâtre des Champs-Elysées 20.30 Ballet Cristina Hoyos in two new Spanish choreographies, repeated tomorrow, Fri, Sat and Sun. Thurs: David Zinman conducts Brahms. Sun: Alfredo Kraus (4720 3637)
Salle Pleyel 20.30 Armin Jordan conducts the Ensemble Orchestral de Paris in music by Haydn, Wagner and Beethoven, repeated on Thurs in Le Havre (4561 0630)

■ STOCKHOLM

The Royal Opera has performances tonight and Fri of August Everding's new production of Arabella, conducted by Siegfried Köhler. Thurs: Swan Lake. Sat: Cinderella (248240). *Tomorrow and Thurs at the* Konserthuset: Paavo Berglund conducts the Stockholm Philharmonic Orchestra in works by Haydn, Schumann and Sibelius (244130). Fri at Berwaldhallen: Esa-Pekka Salonen conducts the Swedish Radio Symphony Orchestra in music by Lutoslawski, Berwald *and Richard Strauss (784 1800)*

■ WASHINGTON

THEATRE
Conrack: a dynamic musical based on Pat Conroy's autobiographical novel The Water is Wide, about his days teaching *African Americans on an* impoverished island off the coast of South Carolina. Runs till April 26 (Fords, 3470 4833).

Lost in Yonkers: Neil Simon's award-winning play directed by Gene Saks. Runs till April 5 (Mechanic, Baltimore, 410-625 4200).
Trinidad Sisters: Mustapha Matura's play is an adaptation of Chekhov's Three Sisters, set in colonial Trindidad in the Second World War. Runs till April 12 (Arena, 488 3300).
Solitary Confinement: Rupert Holmes' thriller starring Stacey Keach. Runs till April 5 (Kennedy Center, 467 4600).

JAZZ/CABARET
Blues Alley Jazz Supperclub Tonight: Scott Henderson, Gary Willis and Tribal Tech (contemporary jazz). Tomorrow: Sadao Watanabe (sax). Thurs, Fri, Sat: Maynard Ferguson and *Big Bop Nouveau* (big band). Sun: Kenny Rankin (vocal/guitar). Mon: Nelson Rangell (sax) (337 2338).
Barns of Wolf Trap This week's guests include jazz vocalist Dianne Reeves on Thurs, followed on Fri by the Smith Sisters, who specialise in harmonic folk music, bluegrass *and country (703-938 2404)*

MUSIC/DANCE
Kennedy Center Dawn Upshaw gives a song recital tonight at 19.30 in the Terrace Theater. This week's other recitalists include the pianist Joseph Kalichstein on Thurs and the cellist Alexander Baillie on Fri. The National Symphony Orchestra's next concerts (Thurs, Fri, Sat and next Tues) are directed by Christopher Hogwood. The Dance Theater of Harlem has daily performances in the Opera House till Sun (467 4600).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday March 24 1992

France fragmented

AS EXPECTED, French voters took the opportunity provided by local and regional elections on Sunday to deliver a stinging rebuke to their little-loved Socialist government, without giving anything like a massive vote of confidence to the conservative opposition. The Socialist party's share of the vote (which was 36.4 per cent in the 1988 general election) fell to an ignominious 18.3, but the conservatives' also fell, if less drastically, from 37.7 to 33.0.

This was clearly a protest vote not just against the government but against the whole political establishment; and it seems to have been directed more against the style and morality of politics than against the substance of policy. Asked what had counted most in inciting them to vote as they did, 41 per cent of those polled referred to "*les affaires*" – the spate of recent political scandals. Only 24 per cent cited unemployment – although this is at a near-record level, affecting 9.8 per cent of the workforce – and 15 per cent immigration, the theme which has given the racist National Front (FN) its popularity.

FN's advance

The FN itself won 13.9 per cent of the vote, which comes almost as a relief after its own and others' predictions that it might reach 20 per cent and/or overtake the Socialists. The uncomfortable fact is, however, that the latter did happen in several regions, including those centred on Paris and Lyon. The FN is not strong enough to win executive power for itself in any region, but in many it will hold the balance, forcing the conservative parties to make an awkward choice between seeking its support, renouncing power, or reaching some kind of accommodation with their Socialist opponents.

As Mr Jacques Chirac, the Gaullist leader, was quick to point out, this fragmented picture – with many seats in regional assemblies also going to two rival ecology parties, and not a few to purely local groups – is a product of proportional representation, which President François Mitterrand has hinted he would like to reintroduce also for next year's parliamentary election

Mitterrand's prestige

But only a rigorously proportional system would, on Sunday's figures, be enough to deny the conservatives an overall majority in the next parliament, and such a system would also give the FN 77 parliamentary seats where at present it has only one. It is hard to believe the president would take on himself the responsibility of producing such a result simply to avoid a repetition of his experience of "cohabiting" with a conservative government

If a governing party in Britain suffered a defeat of this magnitude one year before a general election, it might well consider changing its leader. But the real leader of France's Socialists is Mr Mitterrand himself. Even if he decides, as many are urging him, to correct the mistake he made in appointing the unfortunate Mrs Edith Cresson as prime minister last year, there is little reason to suppose he can revive his own prestige in the eyes of the voters. The best service he could render to his party now would be to resign before the parliamentary elections in March 1993. It would be in the interests of a Socialist presidential candidate – whether Mr Michel Rocard or, more probably, Mr Jacques Delors – to have the presidential election first, if the right persists in restricting its own choice of candidates to Mr Chirac and Mr Valéry Giscard d'Estaing, both quintessentially "yesterday's men". That, perhaps, was the message the voters were sending on Sunday when they cast their protest votes for parties other than the official opposition.

Leaden rules

LONG and deep recessions can wreak havoc on the accounts of the most prudent institutions; the government is no exception. An unexpectedly severe fall in UK tax revenues will push public sector borrowing above £28bn in the coming financial year, whoever wins the election. But the government accounts are financially sound as yet. There is no reason for a shareholder revolt.

Yet the air is thick with accusations of profligacy and declarations of prudence. Labour says the Conservatives are borrowing for tax cuts, while it would borrow to build; the Conservatives say Labour is looking for an excuse for excessive public spending; some commentators say the public finances are fast running out of control.

It is the economy, not the government's finances, that is currently in a sorry state. The UK has suffered the deepest recession of any European country; but it also has one of the lowest outstanding stocks of government debt as a percentage of gross domestic product.

Moreover, both parties are committed to seemingly prudent restrictions on public borrowing. The present government intends to balance the budget over the economic cycle, implying a falling ratio of debt to GDP. A Labour government will "only borrow for investment" and keep to the Maastricht treaty deficit and debt ceilings of 3 per cent and 60 per cent of GDP respectively.

'Golden rule'

Whether their manifestos are promising more than the parties can deliver, in tax cuts or spending, will only be apparent once the recovery is under way. There is no economic case for tax increases this year or next, contrary to the claims made in yesterday's Guardian. It argued that the so-called "golden rule" that public borrowing should not exceed investment will be violated next year for the first time since records began in the early 1960s.

If this really were Labour's golden rule, it would make no sense. There is no reason why the government should not borrow for current spending when tax revenues are temporarily depressed. No sensible government would, or should, require the Treasury to cut current spending or raise taxes to cut borrowing this year, in order to satisfy an arbitrary accounting rule. Nor has the UK government ever pursued such a rule. The general government balance, minus the healthy surplus of public corporations, was in deficit for most of the 1980s. The government's privatisation programme has merely shifted the income from their investment to the private sector in return for a reduction in public debt.

Public investment

Labour's version of the golden rule must, instead, apply on average over the economic cycle. Even then it would make little sense on the standard definition of public investment. The principal justification for financing investment through borrowing is that such spending generates more tax revenue in the future. Yet much so-called investment in buildings and roads generates no return, unlike some of the supposedly current spending on education and health.

Both parties' alternative rules make some economic sense; neither has any compelling logic behind it; and both are open to abuse. How long is the economic cycle? What is public investment? Neither question is answered in the manifestos. What really matters is that a sluggish recovery will constrain either party in government. Growth much below 3 per cent a year would rule out Conservative tax cuts; while most of Labour's spending promises would also remain unfulfilled.

County Hall

JAPANESE investment has been one of the most positive forces in the UK economy for two decades. It has probably saved the British car industry.

That said, the government's decision to permit the sale of County Hall to the Shirayama Corporation, for use as a hotel and leisure centre, is deeply to be regretted.

County Hall, former home of the Greater London Council, is not London's finest building, although it stands on a magnificent site opposite parliament. The London School of Economics would like to move there from cramped premises on the other side of the river.

Such a move would express confidence in a British institution of world renown. It would also secure the building for a prime civic purpose at the end of a construction boom which has erected some fine towers and atriums to Mammon, but few to Academe.

For the government to let the building become a hotel for the sake of a few million pounds difference in the bids reveals a blind spot one would not have thought typical of Mr Major's public spirited style of Conservatism. If it wins, Labour says it will reverse the decision. It would be right do so. Better still, Mr Major should think again.

A patient on the road to recovery

Alan Friedman says the US banking industry has taken drastic restructuring measures, but it is still ailing

The battered US banking sector, having suffered over the past 18 months from crisis levels of commercial property loan losses and bad debts, is poised to remake itself.

Like much of corporate America, the big banks are trying to restructure their way out of recession. Their tools are heavy bad debt provisioning, savage cuts in spending, the disposal of non-strategic assets to raise the cash needed to bolster capital ratios and, increasingly, the use of mergers to eliminate excess capacity and slash back-office and other administrative costs.

The medicine is being taken, but the patient cannot yet be pronounced fully recovered. It would be more accurate to say that the cure will take a long time, and could still result in complications. The most notable risk for some institutions is the still-depressed US commercial real estate market.

Mr Art Ryan, president of Chase Manhattan, one of the New York banks that took early steps to address the real estate crisis, says last year was "something of a catharsis for us". He sees little or no growth in profits for the first six months of 1992, and admits he is not even sure there will be a recovery in the second half of the year.

But Mr Ryan, along with many other bankers, stresses that the steps being taken should lead to a leaner and meaner US banking sector: "Reports of the demise of US banking are greatly exaggerated."

As a sign of recovery, bankers point to the way in which they have strengthened a vital ratio: the proportion of their assets accounted for by common equity or its equivalent. Under the Basle agreement between central banks, this so-called Tier 1 capital adequacy ratio must be more than 4 per cent for all banks by the end of this year.

At one stage, it looked as if some big US banks would have trouble reaching this level. The obvious way of strengthening capital – issuing more shares – was closed to them by the downgrading of many banks' credit ratings and investor concerns about property loans.

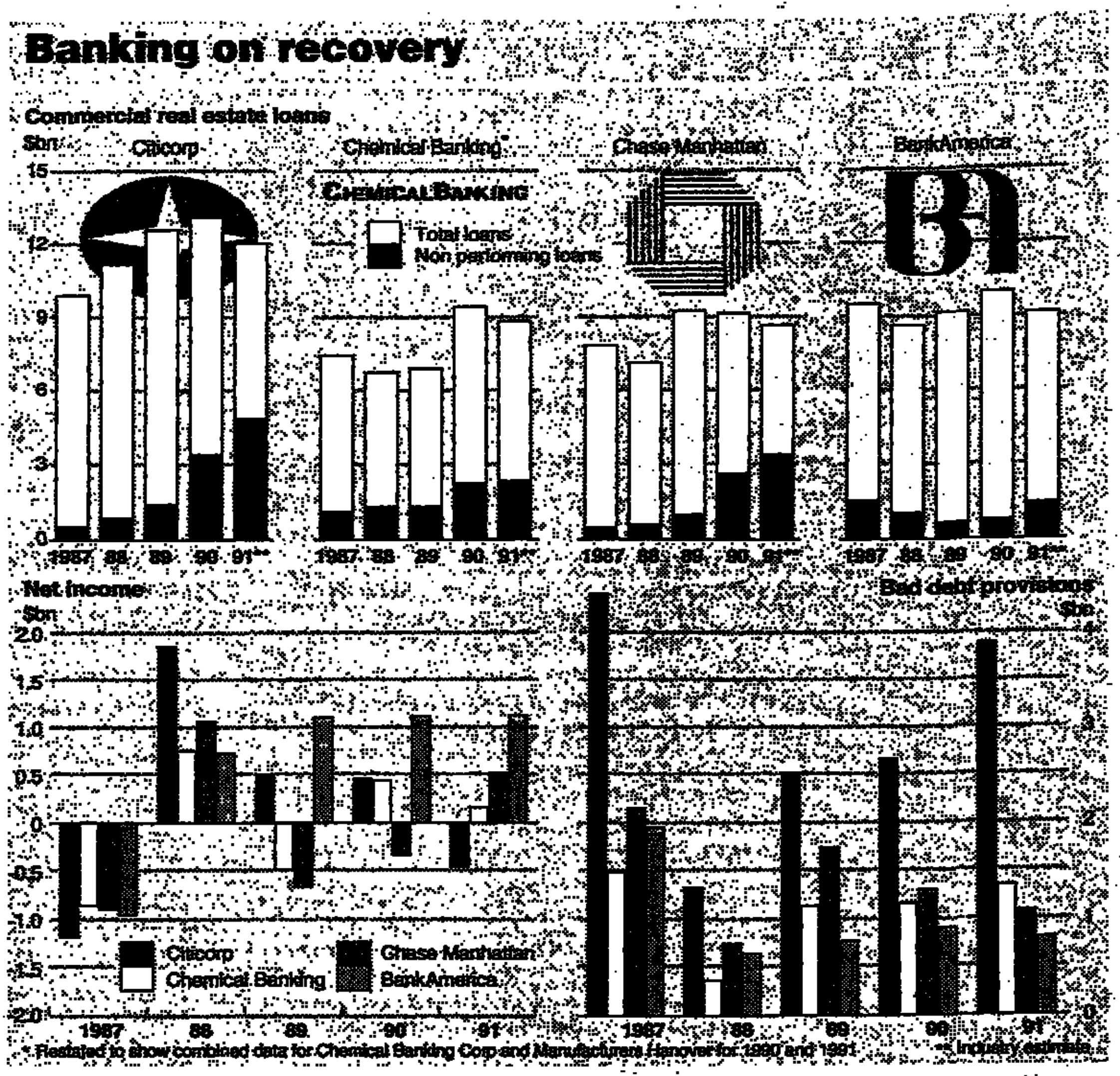
There was only one, painful, solution: under pressure from federal regulators, dividends at many banks have been slashed or even eliminated. This, together with asset sales and cost cuts has helped to strengthen capital levels.

For the leading 10 US banks, the average Tier 1 capital ratio is now nearly a percentage point above the 4 per cent level. A notable exception is Citicorp, America's biggest bank, which has a common equity-to-assets ratio below 4 per cent.

In the view of Mr Tom Hanley, a senior banking analyst at First Boston investment bank in New York, the industry is "just now going through the first wave of restructuring that will eventually bring it back to restored health".

But other observers are less sanguine. Mr Mark Gross, head of the New York office of IBCA, the UK bank credit rating agency, says: "The US banking industry is still bumping along at the bottom in terms of profitability and problem assets."

Mr Gross cites IBCA's own analysis of the leading 44 US banks, which shows that total non-performing loans plus the depressed property held by banks after they foreclosed on loans jumped from \$23.3bn in 1986 to \$57.8bn in 1991. Total bad debt reserves covered 64 per cent of these problem loans and property holdings in 1986 (\$14.9bn) while last year – in the middle of the crisis – they covered less than 58 per cent (\$33.4bn). This illustrates that more provisions still need to be made.



The main reason why it is too early to predict a rapid recovery is the persistent – and pervasive – nature of the commercial property crisis. Overbuilding in many big US cities during the late 1980s was supported by a lemming-like rush into property lending by many banks. When the banking slump finally arrived – on the heels of the crash of many savings and loans institutions – many bankers discovered they had badly misjudged the market and had loan portfolios too concentrated on property.

According to Mr Sandon Goldberg, a property analyst at Salomon Brothers, US commercial real estate values have dropped by an average 30 per cent over the past three years. Many senior bankers and property developers say they do not expect much of a recovery in prices for the next two or three years.

Mr Alan Greenspan, chairman of the Federal Reserve Board, recently said he expects commercial real estate values to continue to drop across the US, a pattern that could bode ill for many banks. "We have got no evidence that suggests commercial values are stabilising and even remotely showing signs of turning up," he said. Top executives at Citicorp, Chemical Banking and Chase Manhattan support this view. They say they expect their 1992 bad debt provisions to be at about the same levels as last year, largely because of the depressed property market.

Mr John McGillicuddy, the former head of Manufacturers Hanover Trust who was named chairman of Chemical Banking after the merger between the two banks, says the banking industry will eventually claw back profitability. But he warns: "We still have a significant pile of problems to deal with as we march through 1992, of which real estate is number one."

The challenge is more acute in certain regions. Perhaps the most seriously affected area is New England, where unemployment has leapt above the national average, and overbuilding in the 1980s was among the most severe in the US.

Mr Richard Syron, president of the Federal Reserve of Boston and a member of Mr Greenspan's board of governors, says real estate in New England "is close to bottoming", but it could be five years before the market returns to health.

While banks in the north-east expect more heavy bad debt provisions, Midwestern banks, especially in states such as Ohio and Illinois, are more fortunate than either east or west coast institutions because the local property markets have held up better.

Mr Robert Parry, president of the Federal Reserve Bank of San Francisco, says the west coast economy is either "at the bottom or still deteriorating". He notes this could affect banks throughout the region.

Real estate, of course, is not the only factor affecting the industry. Another has been the harsh criticism over the so-called "credit crunch", in which bankers are reported to have been unwilling to lend during the recession. This trend is now abating. But the other side of the coin is that US consumer confidence, although showing glimmers of improvement, remains weak, and as many companies seek to reduce debts and dispose of assets, loan demand is flat.

One partial remedy for the banking system – much-needed legislative reform – looks unlikely in the near future. While most bankers want the right to open interstate branches and to expand into equity underwriting, insurance and other financial service areas prohibited under US laws, no one believes such reform stands much chance of passage in this presidential election year. Mr Syron calls the legislation "essential, but dead for the time being".

There is some good news – such as recently reduced reserve requirements that will help strengthen bank capital ratios, and the lowering by the Federal Reserve last December of interest rates. This should lead to better net profit margins across the country because banks have been slow to lower the cost of borrowing to many customers. There are also hints that federal bank examiners may be slightly less tough on banks in coming months.

Regulators were criticised last year for forcing too-severe bad debt provisions and write-offs at several banks, but Mr William Taylor, the chairman of the Federal Deposit Insurance Corporation (FDIC), the bank regulatory agency that handles bank failures, says the agency is simply "working through the problems".

One way to measure the health of the US banking industry is to examine the state of the fund – used for rescues – operated by the FDIC. At the end of 1989 the FDIC had \$18bn in its fund; by the end of 1990 the fund was down to \$4bn. At present, as Mr Taylor puts it, "we're broke". He estimates that a new \$30bn line of credit extended to the FDIC by the US Treasury will just about cover expected bank failures between now and the end of 1993.

A more realistic method of fixing what ails the industry could be more mergers to reduce administrative costs. The most promising is the recent joining of New York's Manufacturers Hanover Trust with Chemical Banking, a move supposed to save \$750m of annual costs within four years.

Regulators such as Mr Gerald Corrigan, president of the New York Fed, have predicted that by the end of this decade the number of US banks will be significantly lower as a result of consolidation in the industry. The trauma of the past 18 months has already led to three of the biggest mergers in US history – last year also saw the combination of Bank of America and Security Pacific in California and the joining of C&S/Sovran and NCNB in the south-east.

Although Citicorp remains the biggest US bank in asset terms, with Bank of America-Security Pacific just behind, the very map of America's top 10 banks is likely to change in coming years, with new names such as NationsBank, the name chosen for NCNB and C&S/Sovran, moving up the league table.

There will certainly be more mergers, but they are not a panacea: their relative success is linked to specific factors such as potential cost savings and the shape of regional markets.

Looking ahead, it is likely that US banking will only finally turn the corner when the broader economy improves significantly. When asked to forecast prospects for US banking, Mr Taylor says he sees a light at the end of the tunnel. But he warns: "I want to make sure it isn't a train coming at me."

PERSONAL VIEW

Hard on soft commissions

By D Bruce Johnsen

Momentum is slowly building on both sides of the Atlantic to restrict the freedom of money managers to accept a novel kind of brokerage rebate called "soft commissions". The proposed restrictions are based on the mistaken belief that those who invest in unit trusts, pension funds and other institutional portfolios need even more regulatory protection than they already have. What investors may really need is protection from regulators.

The suspicious thing about soft commissions is that they "bundle" the costs of portfolio research into cash-trading commissions. In a typical soft commission deal, a broker pre-pays research expenses on behalf of a money manager in proportion to the future trading commissions the manager promises the broker. The manager receives research up front and, if all goes as planned, pays for it later by providing the broker with the promised trades. Soft commission business perhaps amounts to £1bn annually in the US and Britain.

The widely held view of soft commissions is that they compromise a manager's loyalty to his clients because cash-trading commissions are paid indirectly by clients. Accordingly, soft commissions are said to tempt a manager to engage in excessive trading to generate the commissions necessary to pay the research bill he should properly pay out of his own pocket. They are also said to reduce his willingness to terminate a broker who has failed to execute trades at the best price.

An alternative explanation for soft commissions is that they actually benefit investors by subsidising portfolio research, guaranteeing quality of trading execution, and promoting specialisation. To see this, it is first important to separate two issues. First, why are research and execution bundled together at all? Second, why use such a novel arrangement as soft commissions to account for bundled research?

Virtually all brokers bundle research and execution. This is true of soft commission brokers, but it is also true of traditional, full-service brokers who produce the research "in house" and make it available to managers on an informal basis. Most managers are paid just a small fraction of any increase in wealth they generate on their clients' behalf. If they were required to pay the entire research bill out of their own pockets, they would apparently have too little incentive to do well-researched trades. A manager's clients therefore have good reason to subsidise his use of research. Bundling provides the ideal subsidy.

In part, profitable trading requires a manager to ensure that the brokers who trade on his clients' behalf execute the trade at the best possible price. But quality of execution is nearly impossible to discern in the short run. How is a manager to prevent an inept, indolent or opportunistic broker doing a shoddy job of execution? Again, bundling does the trick. Having received research up front at the broker's expense, the balance of trading commissions a manager owes the broker serves to bond the broker's performance. Any broker that cheats the manager risks the prospect of being terminated with his account balance unpaid. Far from compromising best execution, bundling actually guarantees it.

Why use soft commissions explicitly to account for bundled research? Under the traditional system, the broker's research obligations are only loosely tied to the cash trading commissions he expects from the manager. One consequence is that the broker's research obligations are too indefinite to be transferred; the research must be produced by the broker "in house".

With soft commissions, the broker's research obligations are explicitly tied to the cash value of the trading commissions he expects. By precisely metering these obligations, soft commissions assure that they are definite enough to be transferred to those who can perform them at least cost. Seen in this light, soft commissions constitute a kind of currency that achieves the benefits of bundling while allowing research and execution to be efficiently produced by specialised firms.

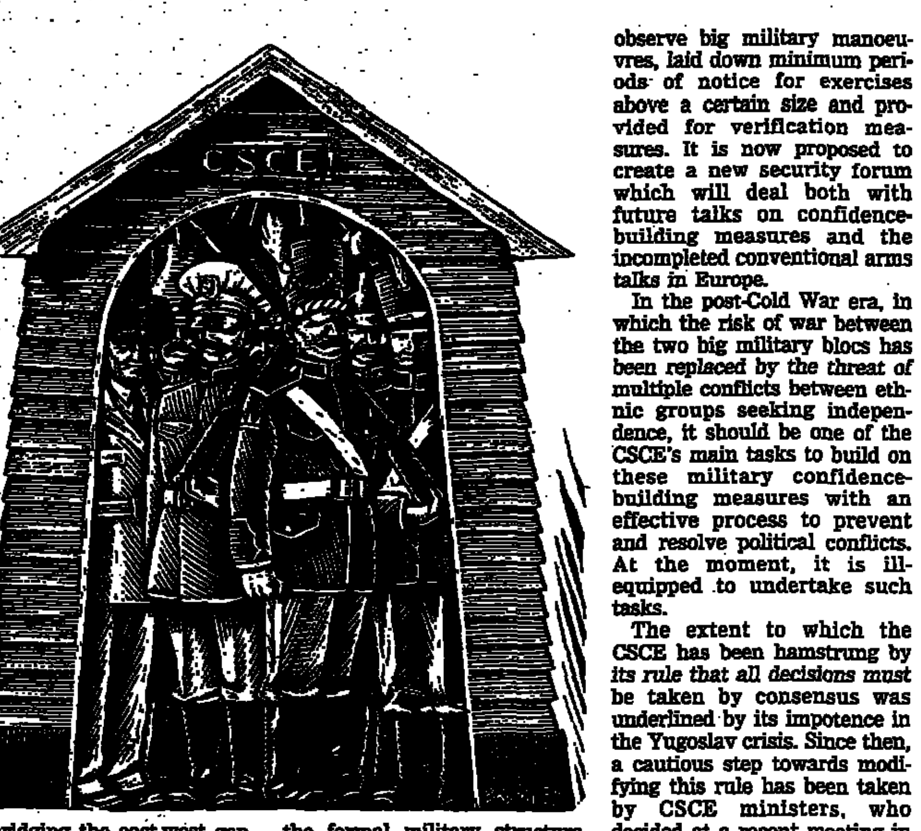
Regulators on both sides of the Atlantic are currently entertaining suggestions that soft commissions, but not traditional brokerage, be subject to disclosure requirements. Even when applied uniformly to all commission business, such burdens are probably ill-advised. When applied selectively to soft commissions, they are not just ill-advised but downright disingenuous.

The call for regulation should give us pause. It would be comforting to live in a world where money managers' interests were perfectly aligned with those of their clients and where the quality of a broker's execution could be instantly discerned. But that is not the world in which we live, and further regulation to protect investors based on such an ideal world will only make matters worse.

The author is assistant professor of legal studies at the Wharton School of the University of Pennsylvania

The CSCE will seek to define its role after the end of the Cold War in a summit meeting which starts today, says **Robert Mauthner**

New world watchdog in search of bark and bite



The founders of the various *international* security organisations have a penchant for uninspiring titles and acronyms.

The "Helsinki Follow-Up Conference", which begins in the Finnish capital today and ends in July with a full-scale summit of its 48 member states is a case in point. Yet it is potentially one of the most significant international gatherings since the collapse of the Soviet Union and the communist system in eastern Europe.

Its avowed purpose is not only to review the work of the Conference on Security and Co-operation in Europe (CSCE) since the last conference of its kind ended, in Vienna, in 1989, but to attempt to give the CSCE the necessary teeth to turn itself into an effective guardian of the continent's security. That will require not only imagination, but political will. In particular, it remains to be demonstrated whether the increased enthusiasm of Britain and the US for the organisation in a radically transformed European political and military environment is more than skin-deep.

The reservations of Washington and London are based partly on the belief that a 48-member organisation, now embracing countries such as the US and Canada at one end of the spectrum, and Russia and the newly-independent Central Asian republics at the other, can never be an effective body for taking decisions and action. The organisation is likely to grow further with the inclusion of new states such as Georgia. More fundamentally, the US and UK fear that if too much weight is attached to the CSCE's security functions it will undermine the already diminished role of Nato, even though the CSCE lacks the latter's characteristics of a military alliance with mutual defence guarantees.

It is a matter of continuing debate among western governments whether Nato has been deprived of most of its *raison d'être* following the dissolution of the Warsaw Pact, or whether instability in the eastern part of the continent requires western countries to *keep up their military guard*. For the moment, the view that a continuing insurance policy is required, in the form of a viable western defence organisation, has won the day. Equally, however, Nato members have recognised that they cannot permit a security vacuum in eastern Europe.

These twin considerations, instead of leading to a strengthening of the CSCE, the long-existing political forum for bridging the east-west gap, have initially spawned a hybrid "son of Nato", the North Atlantic Co-operation Council (Nacc). Though not offering the full membership and security guarantees that many of the east European states and even Russia want, Nacc offers them a permanent forum for consultation and co-operation on security and related issues.

There is no reason to suppose that Nacc would continue to play this dominant role if the CSCE were strengthened and made more effective. The prospects of this happening have improved as the view that Nato and the CSCE could be truly complementary has become rather more firmly rooted. Both the US and British governments have begun to abandon their lukewarm attitude towards the CSCE and to underline the constructive *division of labour that could* be achieved in the security field if the two organisations stick to their appointed functions. One of the more useful suggestions endorsed by the US is that, if any peace-keeping forces were required to keep combatants apart in a conflict for which the CSCE was trying to find a political solution, these could be provided by Nato.

The CSCE does not have, and can probably never aspire to, the formal military structure that Nato has. However, the CSCE can boast a wider membership than Nato, and competence in the fields of disarmament, confidence-building measures, the peaceful settlement of disputes, *conflict* prevention and human rights.

The CSCE's achievements since its establishment by the 1975 Final Act in Helsinki, have been much greater than the adverse publicity it has often received. It became an international benchmark for the respect of human rights and principles such as non-interference in the internal affairs of others.

CSCE has been hamstrung by the need for consensus, as was underlined by its impotence in the Yugoslav crisis

The CSCE's role in the disarmament process, if less spectacular than the bilateral negotiations on the reduction of nuclear arms between the US and the Soviet Union, was also vital. While there has always been a dispute over whether it *should* be used as an arms control forum, it has served as the umbrella organisation, in particular, for the Conventional Forces in Europe (CFE) treaty signed in December 1990.

But above all, the CSCE has played a leading and innovative role in the field of military confidence-building, notably through the Stockholm and Vienna agreements of 1986 and 1990 respectively, which provided for the right of states to observe big military manoeuvres, laid down minimum periods of notice for exercises above a certain size and provided for verification measures. It is now proposed to create a new security forum which will deal both with future talks on confidence-building measures and the incompleted conventional arms talks in Europe.

In the post-Cold War era, in which the risk of war between the two big military blocs has been *replaced* by the *threat of* multiple conflicts between ethnic groups seeking independence, it should be one of the CSCE's main tasks to build on these military confidence-building measures with an effective process to prevent and resolve political conflicts. At the moment, it is ill-equipped to undertake such tasks.

The extent to which the CSCE has been hamstrung by *its rule that all decisions must* be taken by consensus was underlined by its impotence in the Yugoslav crisis. Since then, a cautious step towards modifying this rule has been taken by CSCE ministers, who decided at a recent meeting in Prague that a single member state could be overridden if found guilty of "clear and gross violation" of its CSCE commitments. Yet it is accepted that any move under *this* so-called "consensus minus one" rule would be confined to political statements.

Much more ambitious is a proposal by Mr Hans-Dietrich Genscher, the German foreign minister, to overcome the problem of decision-making in such an unwieldy body. Germany, backed by the Netherlands, is *suggesting* that to nip a dangerous conflict in the bud, a special committee of about five member states should be designated to work out a solution with the parties to any dispute.

Whatever the decision on this matter, however, it is clear that if the CSCE is serious about its conflict prevention role, the special Conflict Prevention Centre in Vienna created by the CSCE's 1990 Paris Charter will have to be given a shot in the arm. A director, two officers, a few administrative staff and an annual budget of $1m are hardly sufficient to deal with disputes as serious as the one between Armenia and Azerbaijan, to which the CSCE is now addressing itself.

This conflict between the two former Soviet republics, is just the kind of emergency which a new-style CSCE will have to tackle. But to do so, the ministers and officials in Helsinki will have to give the organisation the tools and resources to do the job.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Homework that assures success in Italy

From Mr Gavin Clezy.

Sir, The Gieves Group, when announcing a substantial loss last year, put a large measure of the blame on the higher than expected losses suffered by its new store in Milan.

Opened only a year ago, the new shop has no doubt had the misfortune to experience at the outset the economic difficulties common to the sector in general, but one has to ask the question if its plight is not symptomatic of a far deeper malaise which seems to have struck British companies entering Italy, more than most.

I have the strong impression that normally sensible British businessmen suffer a temporary loss of their critical faculties when it comes to negotiating with Italians in Italy.

No-one doubts the seriousness of the vast majority of Italian businessmen, but neither should anyone under estimate their charm, especially when it is reinforced by the background "magic of Italy".

There is a long, sad list of serious miscalculations by British investors in Italy. Many of these might have been avoided if the companies concerned had only done their basic research properly and gone to the trouble of talking to people on the spot, who between them have a wealth of experience and a ready willingness to give objective advice.

Until British companies interested in expanding their presence in this vitally important but complex market do their homework properly, those of us living and working in Italy can only hold our breath in horror as, lemming-like, one company after another blindly goes over the brink.

Gavin Clezy,
chief executive,
British Chamber of Commerce for Italy,
Va Agnello 8-20121 Milan,
Italy

LSE being denied a 'unique' opportunity

From Mr Gideon Nellen.

Sir, What a tragedy for London if County Hall is sold for conversion to a hotel and leisure centre rather than used to rehouse the London School of Economics. And what an uninspiring desperate vision of London Michael Heseltine, the environment minister, and Godfrey Taylor, chairman of the London Residuary Body, seem to have to allow the proposed sale to proceed.

If London is to hold its own in Europe it needs to strengthen and revive its education facilities. Every Londoner would benefit from the enhanced stature and improved facilities of the LSE relocating to County Hall.

It is a unique opportunity for the school to establish itself as the leading European school of social and political science. It will be a contribution to a city straining under the pressure of tourists. On planning grounds alone, hotel and leisure use with attendant coaches should not be permitted.

Is this an attempt by Taylor and Heseltine to burn the oil wells? And how does this square with Heseltine's pronouncements that the use of Somerset House should be non-commercial?

Gideon Nellen,
Nellen & Co,
19 Albemarle Street, London W1

Pro and con the shadow budget

From Mr Simon Haskel.

Sir, Labour's tax proposals provoke a curious response from some of your readers. (Letters March 21 and 22).

Mr Peter Brown and his Top Pay Research Group obviously do not believe in the market. Why should employers grant extra pay increases to those earning between £20,000 and £30,000 a year to compensate *for the increased* tax in Mr John Smith's shadow budget when Mr Brown says there are a record number of qualified staff on the dole? We won't.

Mr Tyler forecasts that Mr Smith's budget will cause a collapse in those services consumed by above average earners. I shall just save less, and if instead the money is spent on consumption by the less well-off it will probably help my business.

Simon Haskel,
chairman,
The Perrotts Group,
63a Ockendon Road,
London N13NL

From Mr David Grenier.

Sir, Lex identifies a gaping hole in the Labour party's shadow budget ("Labour turns on the charm", March 17), but even Lex may have underestimated its size.

Mr John Smith has indicated that he would work within the £28bn public sector *borrowing* requirement (PSBR) target set by the chancellor for fiscal 1992-93. That target depends heavily on continuing receipts of £8bn from privatisations. But the issue is not simply one of tracking down the difference between this figure and the £6bn of identifiable privatisation receipts; it is one of judging the market's willingness to finance any further privatisations under a Labour government and therefore of judging on what terms such issues might take place.

It is no coincidence that it has taken a general election campaign to concentrate the minds of messrs Kinnock and Smith on the virtues of accepting ongoing privatisation. Other members of the shadow cabinet, however, do not appear to have synchronised their conversion to the new doctrine. Mr Bryan Gould, shadow environment secretary, still appears to believe that the water companies will come back into public ownership under a Labour government. Mr Frank Dobson, shadow energy secretary, believes Labour would take control of the power generators. And Mr John Prescott, shadow transport secretary, is threatening to reverse the recent buy-outs of port authorities.

This is yet another example of Labour, under electoral pressure, being prepared to play fast and loose – in this case *with the savings of millions of* investors.

David Grenier,
chief executive,
Independent Investment Management,
Warnford Court,
Throgmorton Street,
London EC2N 2AT

No tepid reception

From Mr Jeremy Isaacs.

Sir, Antony Thorncroft accurately reports our intention to commission an independent review of our costs, ("Opera House asks consultant to investigate costs", March 20) but unnecessarily, and inaccurately, adds that "many recent new productions have attracted tepid reviews". Does he read *the Financial Times?* Huguenots was hardly tepidly received. It was excoriated. But the reviews of our last four successive new opera productions – Simon Boccanegra, Mitridate Re di Ponto, Don Giovanni, Death in Venice – were glowing in their approval, and Clement Crisp, reviewing the Royal Ballet recently, in new work and old, has much admired and praised what he has seen.

For the second year running, the Royal Opera House has achieved the double whammy of winning both the Standard awards for opera and ballet. Of this year's six Olivier nominations for opera, four come to us. Our ballet companies won three out of six. Casually to compare our work unfavourably with English National Opera's is to play an old cracked vinyl record, long out of date. And it hurts. It is hard enough to justify a necessary level of funding without having to contend with under-representation of what we actually achieve.

Jeremy Isaacs,
general director,
Royal Opera House,
Covent Garden,
London WC2E 9DD

OBSERVER

Ebb and flow

■ A Flood would probably strike most people as the last thing likely to be helpful to a troubled property development called Canary Wharf. If so, most people would be wrong.

For A Flood – Al to his friends – is the name of the president of the corporate-banking division of Canadian Imperial Bank of Commerce, and few folk will be more involved in the restructuring of Canary Wharf's developers Olympia & York.

Besides being one of the O&Y's two main bankers (the other is Citicorp), Canadian Imperial is among the biggest lenders to the beleaguered London docklands property.

Those dealing with Flood will find that he doesn't suffer fools gladly. They may also discover that he has other things than O&Y on his mind.

Canadian Imperial will soon announce a new chief executive to succeed Donald Fullerton, who is retiring. Flood, aged 56 and with 30 years service, is the front-runner. His main rival is the investment-banking head Paul Cantor.

More outgoing and less formal than Flood, Cantor is seen by many onlookers as a potentially stronger leader for Canada's second-biggest financial institution.

Half original

■ Of the two new ventures in the life of George Davies, the birth of his son is the more original. As the ex-boss of Next previously had five daughters from his two marriages, a first son (another George, of course) is a brand new development, which is more than can be said for his latest retailing venture.

His "magalogue" – a hybrid magazine and catalogue – is called Xtend, a title somewhat reminiscent of the Department X store he developed while at Next. Xtend will include a gardening section and – as students of Davies's career may recall – his last, doomed venture at Next was the development of a gardening catalogue, which delivered plants but sadly not profits.

However some onlookers are taking heart from the fact that Davies's estranged wife Liz, who was product director at Next, is not involved in the latest move. Some suspect it was her undue influence over her husband that precipitated the boardroom bust-up culminating in George's exit in December 1988.

In the wings

■ Ever since he announced he was stepping down as chairman of British Nuclear Fuels, Sir Christopher Harding has looked like a man in search of another big job. One that might have done was the CBI director-generalship, but he apparently turned it down.

Undoubtedly, he should make a good replacement for Nicholas Wills, the deposed boss of the not-so-recession proof BET. Even so is BET big enough for an ambitious executive like Harding?

On the other hand, it could be that Harding – one of only a handful of Lord Hanson's lieutenants to prove themselves outside Hanson – is using BET as a training ground while awaiting the call to succeed the 70-year-old Lord. After all at 52, Harding can afford to wait.

After-kill

■ Fresh from the Macabre Notebook – a new form of countering human pollution. Well... post-human, to be exact.

W. Canning, the speciality chemicals maker which

"And if that fails, we bring back Willie Whitelaw"

reported yesterday, is always on the look-out for an innovative use for its products. It has found one in Spain, for its biocides.

They are chemicals which kill off biological growth: algae is an obvious example, bacteria in industrial waste is another. Less obvious is the use in a funeral parlour. The biocides mop up body fluids. No seepage from the grave. No post-human pollution. A new meaning for dust-to-dust, ashes-to-ashes.

End of affair

■ Sir Evelyn Rothschild's flirtation with the idea that an outsider could run his family's bank, NM Rothschild, has run its course. Fred Vinton, the chief operating officer, is departing to look after another family fortune – that of the Argentine Bembergs.

The proprietorial Sir Evelyn plucked the outsider Vinton from JP Morgan at the end of 1987 in a move so unusual that some Rothschild directors assumed Vinton was Sir Evelyn's heir apparent.

But last month Sir Evelyn appointed his cousin, Baron David de Rothschild, as deputy chairman. Sir Evelyn has made it clear that Baron de Rothschild, senior partner of Rothschild et Cie in Paris, is likely to succeed him. Although Sir Evelyn has two sons, they are still at school and considered just a trifle too young to take over just yet, though their eventual succession is taken for granted.

Sir Evelyn's hope is that cousin David will help to knit together the various Rothschild banks worldwide – just as Michel David-Weill has forged strong links between the assorted Lazard banks.

Vinton himself, an American, is returning to his roots without the upheaval of leaving the UK. He was born in the Argentine and worked there for JP Morgan. However, he will manage the Bemberg private businesses from London and will still be able to indulge his passion for foxhunting.

The good news

■ Such is the recession that recruitment consultants are now getting not only speculative applications from newly redundant executives, but letters from previous applicants wanting to update the CVs they sent earlier. Two examples received by London headhunter John Courtis read:

"The verdict was reversed on appeal; the judge said the case should never have been brought."

"The FBI have dropped all charges relating to the $4bn."

But both are upstaged by the first-time applicant whose letter begins: "I come with the highest possible recommendation. I was acquitted on all charges, in the High Court."

FINANCIAL TIMES
Tuesday March 24 1992

Low corporate credit demand increases pressure for interest rate cut

Japan's money growth slows

By Steven Butler in Tokyo

THE RAPID cooling of the Japanese economy was underscored yesterday when the Bank of Japan reported that money supply growth in February fell to a record low for the third month running as a result of weak credit demand from the corporate sector.

Broad money – M2 plus certificates of deposit – rose by 1.6 per cent compared with February last year, reinforcing expectations that the official discount rate will be cut soon, perhaps this week, for the fourth time since July. The ODR is now 4.5 per cent, compared with 6 per cent a year ago.

Mr Russell Jones, economist at investment bankers UBS Phillips & Drew, said: "This is a very good reason why they should cut interest rates sharply, rather than just tinkering with 50 basis points."

Money supply growth, which was slower than the bank expected, was pulled down by weaker-than-expected corporate demand for funding, the bank said. Corporations are cutting capital investment and trying to reduce surging inventories of unsold goods.

Inventory adjustment, which is pulling down industrial output, was expected to continue into the third quarter. The bank appears to accept that the economy may not hit bottom in the second quarter, as had been suggested earlier.

The severity of the industrial slowdown was highlighted by figures from the Japan Automobile Manufacturers' Association showing that vehicle production in February fell by 7.1 per cent to 1.06m units.

Money supply growth is running well below the central bank's projection of 2 to 3 per cent growth in the first quarter. This is unlikely to be met after January's 1.8 per cent growth rate.

Mr Kermit Schoenholtz, economist at Salomon Brothers Asia, said the money supply figure "reinforces the view that the Bank of Japan needs to act quickly to reinforce credit expansion. Credit is not expanding rapidly enough to support sufficient economic growth in the months ahead."

Moves by the central bank to stimulate the economy, however, will be tempered by fears of reigniting inflation in asset prices.

Broad money was also reduced by a continuing shift of money into postal saving deposits, which are outside the banking system. However, broad liquidity, which includes the postal savings, also grew at a record low of 4.5 per cent. Savers have been shifting money out of the banking system in order to lock in high interest rates as they decline.

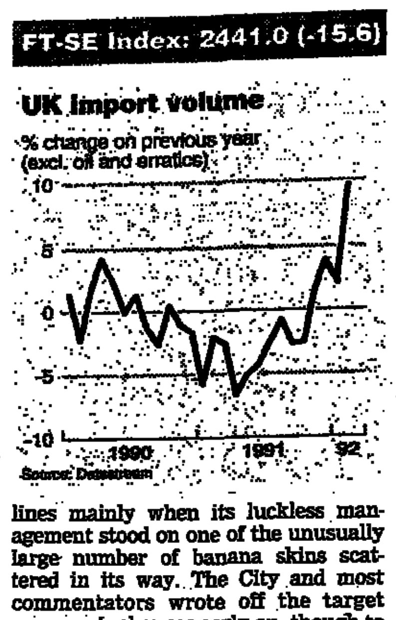
Broad money fell in February to Y500,500bn ($3,791bn) from Y507,000bn in January, amounting to an annualised month-to-month decline of 6.3 per cent, seasonally adjusted basis.

M1, which includes cash and demand deposits, expanded by 7.8 per cent compared to February 1991.

● Japan's five largest steel makers agreed to increase wages by 3.63 per cent, compared to 4.33 per cent last year. The settlement, which could set the pace for other sectors, reflects the slowdown in the economy and the pressure on manufacturing industries, where profits are plunging.

THE LEX COLUMN

A trade-off for shares



UK FINANCIAL markets appear increasingly confused by the election and its impact on the economy. The glimmerings of recovery were apparent in yesterday's trade figures. Import volumes were up sharply in February, especially for capital goods and basic materials, while exports bounced back from January's trough. Yet the FT-SE 100 slipped 15 points, presumably because of worries about Labour's edge in the polls.

Sterling appeared unruffled and actually rose against the D-Mark. Perhaps the currency held up because, having accepted the possibility of a Labour victory or a hung parliament, the money markets are starting to discount a rise in base rates after the election. Both Labour and the Liberal Democrats are committed to the ERM, but higher rates, at least initially, would almost certainly be needed to defend the parity. Yet that prospect ought to have done much more damage to equities than the 5 per cent fall since the election was announced. Coming on top of the shock to the economy of the adjustment to Labour's tax changes for top wage earners, higher mortgage rates would kill any recovery. A half-point rise would wipe out nearly all the gains in Mr John Smith's budget for a family man on average earnings.

One possibility is that the equity market mistrusts Mr Smith's ERM commitment and believes he would try to kick-start the economy with a large devaluation. That would be good for shares, but only in the longer run. Another is that it does not yet believe in a Tory defeat. Were the Tories to win, the election bears could be trampled in the rush to buy. Not only does the trade data add to the more positive picture of the economy painted by last week's retail sales. At their current levels, equities would look cheap in a politically certain world.

Redland/Steetley

Election day is fast approaching in Redland's £600m bid for Steetley. By Thursday lunchtime the relatively small number of UK institutions that will determine the outcome must decide whether to accept a final paper offer worth 377p in last night's market, opt for the 365p per share cash alternative, or cast their vote for an independent Steetley.

In many ways it is remarkable that there is still a contest. Redland has made most of the running since Day One, leaving Steetley to grab the headlines mainly when its luckless management stood on one of the unusually large number of banana skins scattered in its way. The City and most commentators wrote off the target company's chances early on, though to its credit Steetley management stood its ground.

Redland deserves to win, but the arguments are certainly not as clear cut as its skilfully marshalled campaign has implied. The logic of Steetley's industrial strategy in the 1980s, for instance, has been obscured by the attention devoted to the company's poor financial health. The dreadful and embarrassing timing of the £40m Gobitta aggregates write-off has overshadowed appreciation of the useful market position which Steetley has built up in France. Steetley cannot pin all the blame for the aborted Tarmac building materials merger on high politics in London and Brussels – especially when it formed such a central part of the early defence – but Redland may not be the ideal brick partner for a deep recession.

In the end, though, it will require a lot of faith to reject an offer which only looks cheap on the basis of Steetley profit projections for the mid-1990s, and which has not been capped by the much mooted counter-bidder. The more pertinent question is whether to take shares or cash. Given the continuing economic and political uncertainties, the bank may be a better bet for the next six months.

Argos

Judging by yesterday's results, the only thing holding Argos back last year was the lack of confidence among its customers. But the effect was severe enough to reduce pre-tax profits by 17 per cent. Underlying sales volumes fell, and the group's cost base proved relatively inflexible despite the best efforts of management.

That was not unlike the experience of rival retailers, so the market may have been unduly sceptical about Argos's premium rating – its shares underperformed the stores sector by a fifth over the last year. What originally singled the group out was the quality of its management and a relatively protected position in the market. Neither has changed. And it is hard to quibble with Argos's responses to the recession.

It has £180m of cash in hand, so can afford to be patient. The new Chesterman furniture stores will add spice to the standard fare of controlled expansion via new catalogue stores. If the furniture business works, Argos will have a broader base for growth. Should it fail, the price will be no more than £10m.

There are also reasons for mild optimism in the longer-term about the better end of the retailing sector. Because costs have begun to move slowly in favour of retailers, there is real scope for operating margins to improve. Consumers may remain nervous for a while yet, but even a modest improvement in sales will have a gratifying effect on profits. The trick for investors will be to select those best positioned to benefit. Although its shares are still on an above-average historic multiple of 18, Argos deserves to be on the list.

Nestlé/Perrier

Paris is preparing for the *denouement* of the most absorbing cross-border continental European takeover tussle since the three-cornered fight for Société Générale de Belgique. Details of the carve-up between major participants will only be announced today, but whatever the sweeteners the Agnelli family is being forced to retreat with a bloody nose.

The irony is that the story has not been one of foreigner in shining armour frustrated by Machiavellian intrigue at the French establishment. The Agnellis look to have got what they deserved for trying to avoid paying a fair price for Exor, and then conniving in what looked like a dubious, and subsequently disallowed, poison pill manoeuvre which was masterminded by Exor and Perrier chairman Jacques Vincent.

Pretoria to set up first multiracial councils

By Patti Waldmeir in Pretoria and Philip Gawith in Johannesburg

THE South African government expects to have the first phase of a multiracial interim government in place by next month, ministers said yesterday.

Pretoria outlined proposals for multi-party transitional councils to oversee key areas of government in the run-up to elections for an interim legislature, expected to take place by mid-1993.

The African National Congress (ANC) initially rejected the proposals, saying the councils would have insufficient powers and would be purely advisory. However, ministers said council decisions would be binding on the cabinet.

Senior ANC officials said they believed agreement could be reached after further negotiation within the Convention for a Democratic South Africa (Codesa), the multi-party forum, including the Government, ANC and 17 other parties, negotiating a post-apartheid constitution.

The ANC also rejected the government's insistence that the ANC abandon armed struggle and disband its military wing, Umkhonto we Sizwe, before full transitional government is put in place. Pretoria took a hard line on this issue, saying joint control of the police and army would only be conceded once the question of armed struggle was resolved. However, both sides said they believed a deal was within reach in this area as well.

Under the government's proposals, the councils would include six members chosen by Codesa, and a seventh appointed by the president in consultation with Codesa.

The councils would initially oversee four areas of government: preparation for elections, government finance, regional government and local government. Councils to oversee education, health, housing and foreign relations would be put in place as soon as agreement was reached by Codesa. Once the government and the ANC resolved the question of the ANC's armed struggle, the councils could then also oversee areas of security, including the police and army.

The existing all-white cabinet would remain in place, although government ministers made clear yesterday that, as the councils would take decisions by consensus – and as consensus could not be achieved without the agreement of all parties, including government – the cabinet would have no reason to veto decisions already agreed by the government in the council.

Pretoria may have to make further concessions on the powers of the councils, but it seems likely that the issue can be swiftly resolved in Codesa. Further stumbling blocks could yet emerge, however, over who should be appointed to the councils, and over how many parties should be represented. The ANC wants the broadest possible representation, while the government wants to exclude all but major parties.

Weighty argument: Japanese officials are unhappy about top placing of Ozaki Konishiki (left)

US and Japan at odds over Hawaii's gentle sumo giant

By Robert Thomson in Tokyo

A 576lb sumo wrestler called Konishiki is looming as a large source of friction between Japan and the US.

The 28-year-old Hawaiian, also known as the Dump Truck, is in line for promotion to the top rank, yokozuna, of the Japanese sport – a place no foreigner has been.

But there are suggestions that Konishiki, who has just won his third sumo tournament, lacks the "spirit" for such an elevated position. Last night, Konishiki was told he must wait until "the next tournament or the tournament after that". Some suspect he may remain forever a second-ranking ozeki.

There are no specific standards for promotion to yokozuna, but the sumo promotion committee in Japan generally decides after assessing performance, health and spirit, qualities that are always open to flexible interpretation.

President George Bush has followed Konishiki's progress with interest. Prominent US coverage of the wrestler's latest win and a congratulatory message from Mr Bush and "the American people" have prompted Japanese officials to fear the US Congress will soon enter the dohyo, the sumo ring, with allegations that the Hawaiian is another US victim of "structural impediments", the trade jargon for cultural barriers.

A pronouncement of prejudice is made difficult by Konishiki's own inconsistency, although his tournament victory on Sunday marked the 39th win of his past 45 bouts. Another cause of concern is his winning technique, the wrapping of massive arms around an opponent and the use of his bulk to manoeuvre them slowly but inevitably out of the ring.

This style irritates the purists, who believe that a yokozuna should have a repertoire of throws and thrusts. Other critics argue that Konishiki, as a foreigner, cannot fully appreciate the spiritual connotations of the sport, an argument implicit in a magazine headline last week: "Foreign Yokozuna Not Needed."

Konishiki has blurred the lines by recently marrying a Japanese model, and he is a skilled speaker of the language. Yet he must still overcome the likes of Mr Noboru Kojima, a member of the promotion committee, who lamented last week that sumo will soon be flooded with oversized and underskilled foreigners out to make a quick yen.

While sumo officials huddle in debate over Konishiki, ordinary Japanese are generally charmed by his out-of-ring gentleness and humour. Before leaving Japan yesterday for a Hawaiian holiday and another celebration of his wedding, he said humbly that the promotion decision is not his to make.

"I did my best on the dohyo. What people think off the dohyo is up to them."

Major's party shakes up strategy

By Philip Stephens and Ivo Dawnay in London

BRITAIN'S Conservatives last night signalled a radical shake-up of their campaign strategy for the April 9 general election.

Senior ministers said the campaign had been "recalibrated" to focus all of its efforts on winning back the support of the skilled working classes who delivered the party victory in the 1983 and 1987 elections.

The Conservatives had been put on the defensive yesterday after the admission by Mr John Major, prime minister, that he might be unable to reduce the tax burden in the next parliament.

After a bruising day, Mr Major was cheered last night by a new opinion poll showing the Conservatives' with a 5-point lead over the opposition Labour party. The Harris poll put the Conservatives at 43 per cent, Labour at 38 per cent and the Liberal Democrats at 15 per cent.

The survey results contrasted sharply with the average of most recent polls which have shown a Labour lead of 2 points, but ministers said it offered the first signs the onslaught on Labour's tax plans was yielding results.

In recent weeks Harris has tended to give the Conservatives a higher rating than rival polling organisations so confirmation of any trend back to the Conservatives will hinge on three further surveys due over the next two days. The results of those polls are seen on all sides as potentially crucial to the outcome of the election.

Mr Major was forced to concede that despite a pledge eventually to reduce the basic rate of income tax to 20 per cent, he could not guarantee a reduction in the overall tax burden.

Mr Neil Kinnock, Labour leader, yesterday launched a "manufacturing manifesto", stressing a £1.1bn ($1.85bn) recovery programme as a blueprint for boosting industry and exports.

Election 1992, Pages 9-11
Conservative win "threatens defence jobs", Page 9
Trade gap shock, Page 9
A vote for science, Page 18
Editorial Comment, Page 20

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Bombay	S	33	91	Faro	S	24	75	Luxembourg	R	2	36	Nassau	C	25	77	Singapore	S	28	82
				Bordeaux	C	10	50	Florence	C	14	57	Madeira	S	20	68	New Delhi	C	26	79	Stockholm	C	6	43
				Boulogne	F	6	43	Frankfurt	C	7	45	Madrid	S	20	68	New York †	C	-1	30	Strasbourg	C	8	46
				Brussels	C	3	37	Geneva	R	9	48	Majorca	S	19	66	Nice	S	15	59	Sydney	C	21	70
				Budapest	R	6	43	Gibraltar	S	26	79	Malaga	S	28	82	Nicosia	S	16	61	Tangier	S	21	70
Ajaccio	F	16	61	Buenos Aires	F	19	66	Glasgow	F	10	50	Malta	C	16	61	Oporto	S	15	59	Tel Aviv	F	14	57
Algiers	S	21	70	Cairo	F	19	66	Helsinki	C	7	45	Manchester	R	8	46	Oslo	C	6	43	Tenerife	S	23	73
Amsterdam	C	7	45	Cape Town	S	29	84	Hong Kong	S	22	72	Melbourne	F	29	84	Paris	C	6	43	Tokyo		–	–
Athens	S	16	61	Chicago †	S	-8	18	Innsbruck	C	7	45	Mexico City	C	28	82	Prague	F	7	45	Toronto †	S	-12	10
Bahrain	C	19	66	Cologne	S	7	45	Inverness	C	7	45	Miami †	F	22	72	Reykjavik	R	3	37	Tunis	S	20	68
Barcelona	S	17	63	Copenhagen	F	6	43	Istanbul	S	11	52	Milan	C	9	48	Rhodes	S	14	57	Valencia	S	24	75
Beijing		–	–	Corfu	F	15	59	Jersey	S	9	48	Montreal †	S	-10	14	Rio d'Janeiro	F	37	99	Venice	F	11	52
Belfast	C	7	45	Dallas †	S	2	36	Johannesburg	S	25	77	Moscow	F	1	34	Rome	F	15	59	Vienna	F	9	48
Belgrade	S	16	61	Dublin	F	9	48	Lisbon	S	17	63	Munich	R	3	37	Salzburg	F	6	43	Warsaw	C	5	41
Berlin	C	7	45	Dubrovnik		–	–	London	C	8	46	Nairobi	F	27	81	S'Francisco †	R	11	52	Washington †	S	-1	30
Biarritz	R	12	54	Edinburgh	C	9	48	Los Angeles †	C	13	55	Naples	R	12	54	Seoul	R	17	63	Zurich	F	7	45

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday March 24 1992

INSIDE

Merrill Lynch awards big salary package

Merrill Lynch, the big US securities house which last year earned record profits of $696m, has awarded its chairman a 1991 pay package of salary and stock options worth a current indicated value of $16.8m. The pay package for Mr William Schreyer (left), Merrill chairman for the past decade, is one of the largest ever seen on Wall Street. Page 28

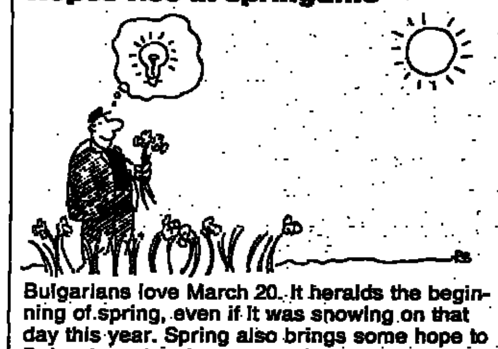
ECC surges to £115m

Pre-tax profits of ECC Group, the world's largest supplier of china clay, last year jumped by more than half to £115.4m ($199m). The British company is reverting to its former name of English China Clays. Page 33

Kitchen like a fortress

Spring Ram, the bathroom and kitchen manufacturer, reported a 25 per cent increase in pre-tax profits to £37.6m ($65m) for the year to January 3. The group ended the year with no debt and cash 45 per cent higher at £45.3m. Mr Stuart Greenwood, finance director, said the group had performed well through "the worst downturn in living history". He added: "We have a balance sheet like a fortress." Page 30

Hopes rise in springtime



Bulgarians love March 20. It heralds the beginning of spring, even if it was snowing on that day this year. Spring also brings some hope to Bulgarians that the energy shortages will end. But their optimism is not shared by Mr Lulin Radulov, who as president of Bulgaria's Committee of Energy has the task of co-ordinating the country's energy needs. Page 34

TNT confident on Europe

TNT, the Australian transport group, expects its European distribution network to move into profit in 1992-93, Sir Peter Abeles, chief executive, said yesterday. Sir Peter said increased revenues from deals with Federal Express, the US express mail group, and five European and North American post offices, would transform the loss-making European network. Page 25

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	870	+	38
Falls			
KHD	151.2	-	6.2
Lufthansa	157	-	5.4
Thyssen	218.9	-	14.2
Varta	320	-	5.5
Volkswagen	357	-	6.5

NEW YORK ($)			
Rises			
Coleman	27¾	+	4
Du Pont	46⅞	+	2⅛
Harley-Davidson	62⅞	+	3
Falls			
Intel	63¼	-	1¾
Occidental	19⅝	-	¾
Phillips Pet	23⅝	-	¾

PARIS (FFr)			
Rises			
Merlin-Gerin	521	+	9
Falls			
Axa	882	-	28
Club Mediterranee	513	-	13
Ciments Fr.	606	-	44
Paribas	382	-	14.8
Total B	222.4	-	7.7

TOKYO (Yen)			
Rises			
Nippon Kinzoku	464	+	41
Nissin	481	+	85
Yamaha Motor	789	+	69
Yamatane Secur	595	+	55
Falls			
Hayashikane	318	-	33
Mitsubishi Mats	612	-	32

LONDON (Pence)							
Rises				Gabicci	59	-	6
Ashley Group	27	+	3	Harland Simon	103	-	26
Bluebird Toys	75	+	10	Hill Cavazon	244	-	9
Eurocopy	48	+	7	Macallan Glen.	163	-	12
Kewill Systems	177	+	18	Reed Intl.	469	-	14
Lambert Howarth	325	+	10	SmithKl.BeechA	855	-	23
ML Hldgs.	28	+	7	Smith (W.H.) A	416	-	15
Falls				TVam	80	-	10
Brit. Aero	291	-	10	Tarmac	137	-	9
Brit. Land	183	-	14	Wilkes (J.)	132	-	15
Ferraris	408	-	30				

Swiss food group poised to win as dramatic battle ends with 2am deal, writes **Alice Rawsthorn**

Nestlé and Agnellis agree terms on Perrier

THE bitter battle for control of Perrier mineral water, the well-known French brand name, ended yesterday when Nestlé, the powerful Swiss food group, and its allies agreed terms for a settlement with their main opponents, the Agnelli family of Italy.

Full details of the agreement, which was concluded at 2am yesterday, will be announced in Paris today. It marks the end of a dramatic tussle featuring prominent figures in Europe's industrial and financial establishment.

Speculation on the stock market suggested that Nestlé has agreed to increase its FFr13.42bn ($2.39bn) offer for Perrier in return for the Agnellis raising their FFr5.6bn bid for Exor, the French property company that controls Perrier. BSN, the French food group which turned against its old allies, the Agnellis, to side with Nestlé, its chief competitor, would then drop its FFr6bn counter-bid for Exor.

Although the outcome will be seen as a victory for Nestlé at the Agnellis' expense, the latter do stand to make a substantial profit from selling Exor's shares in Perrier. The Agnellis may also retain control of Exor's extensive property interests and Chateau Margaux wines. Meanwhile BSN is expected to exercise its prior agreement with Nestlé to buy Volvic, one of the Perrier waters.

"It looks as though peace has broken out although we're still not sure on what terms," said Mr John Graham, European food analyst at UBS Phillips & Drew in London. "The Agnellis seem to have decided it would be too expensive and too damaging to drag out the battle any longer."

The seeds of the Perrier fracas were sewn last year when the Agnellis accepted an invitation from Exor to become one of its minority shareholders. This angered both BSN, previously the Agnellis partner in France, and Lazard Frères, the Paris-based bank that had orchestrated the partnership.

Their anger intensified last autumn when the Agnellis announced an agreed partial offer for Exor. This also incurred the wrath of Crédit Agricole, another French bank, and the Suez industrial group, both of which, as minority shareholders in Exor, were aggrieved at being excluded from the bid. The Agnellis then agreed to make a full offer for Exor.

Nestlé entered the fray when, having failed to persuade the Agnellis to sell Exor's shares in Perrier, it prepared to mount its own bid for the mineral water company in conjunction with Banque Indosuez, a Suez subsidiary. Meanwhile Perrier, chaired by Mr Jacques Vincent also chairman of Exor, marshalled its defences by selling 13.8 per cent of its shares to Saint Louis, a French sugar company linked to the Agnellis.

The pressure on the Agnellis intensified when BSN mounted a FFr6bn counter-bid for Exor. When Nestlé scored two decisive legal victories, one of which invalidated the Saint Louis share purchase, the pressure to negotiate became intolerable resulting in this weekend's settlement.

Lex, Page 22;
Markets, Back Page

Alice Rawsthorn reports on a new wave of changes to French securities rules

Re-engineering the Paris stock market

The brightest brains in the French civil service, it is often said, end up at the finance ministry. Their brainpower is now being put to the test as they tussle over a series of reforms of France's stock markets.

Over the next few months the ministry will finish proposals on issues with important implications for the market's future. A forthcoming reform of the French pension system and a series of share sales in large state-owned companies should provide a new influx of investment and equity. Other reforms in the pipeline include an overhaul of France's complex takeover laws and measures to halt the drift of "block" trades in large numbers of shares from Paris to London.

"Clearly there is a political will to complete the modernisation of the French financial system," said Mr Micha Spierenberg, president of Bacot Allain Warburg, the French arm of the S.G. Warburg securities group. "All in all these reforms are very encouraging and should make the market more modern and more efficient."

The first wave of French stock market reform was in the mid-1980s when Paris followed the precedent set by London in opening up its financial markets in preparation for the 1990s. The pace of change was frenetic: old monopolies were abolished, closed markets opened and state-of-the-art technology introduced.

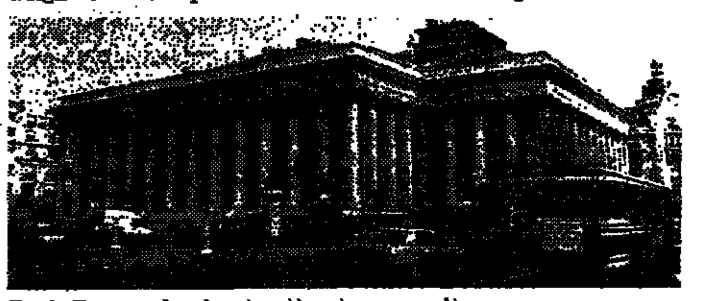
But some old practices, such as a right to make a "partial" bid for two thirds of a company and a bourse tax on share transactions, survived. Paris banks and brokers have long complained about them, arguing that they reinforce international investors' suspicions about the inbred nature of the French market and make it difficult for Paris to compete.

Recently these complaints have been reinforced by the rows over the partial bid for the Printemps retail group by Pinault, the property company, and the battle for Perrier mineral water.

As a result the French government and the regulatory authorities are now amenable to the prospect of reform. The finance ministry is reviewing the takeover laws and is expected to abolish partial bids in favour of forcing investors to make full offers.

The stock market authorities are also reviewing the procedure for executing block trades in Paris, which has lost much of such business to London where the system is more flexible. This review could result in a more flexible disclosure system and, possibly, a new cadre of market makers.

These changes may make little practical difference. So many large French companies are controlled by friendly shareholders that there are relatively few hostile bids. And it is probably too late for Paris to recapture the block trading business already lost to London. But, said Mr René de la Serre, managing director of Crédit Commercial de France, one of the larger banks, these were "important refinements which should enhance the standing of the French market".



Paris Bourse: hoping to attract new equity

But these technical changes pale beside the more important issue of the future size and structure of the stock market. The overwhelming problem for the French market is its shortage of equity and investment, largely due to the all-pervasive nature of government involvement. The state controls many large French companies, which restricts the number of publicly quoted groups. It also dominates the pension and savings systems, so that France, unlike the US or the UK, does not have a steady influx of securities investment from private sector institutions such as pension funds.

This is where the most significant changes are taking place. The socialist government recently announced a programme of sales of minority stakes in state-controlled companies. The first of these issues, the FFr2bn ($350m) sale of 2.3 per cent of the Elf Aquitaine oil group, is underway.

"These partial privatisations should provide a steady source of new equity," says Mr David Finch, director of the stockbroking subsidiary of Finacor in Paris. "They ought to continue whichever party wins the next general election. In fact if the right wins, they will probably accelerate."

The reform of the pension system should also help to address the lack of investment. French pensions are administered by the state, which pays them on a pay-as-you-go basis from money received from those in employment. This system is coming under strain as the population ages and there are proportionately fewer workers to support the pensioners. The solution, as Mr Pierre Bérégovoy the finance minister has acknowledged, is to increase the use of private pensions.

Terry Kirk

Pierre Bérégovoy: still some way to go on pension reform

So far Mr Bérégovoy has not gone as far as the financial community had hoped with pension reform. Last week he announced plans for a new FFr60,000 tax-efficient personal equity plan, although he did not specify whether the tax benefits would be realised throughout its six-year lifespan, or at the end. But he also dashed the market's hopes by refusing to introduce corporate pension funds, presumably because of opposition from the trade unions.

"The PEP initiative is a step in the right direction, but without upfront tax advantages, it is unlikely to have a major impact," said Mr Spierenberg. "The creation of pension funds would be the single most important step, but it looks as though we may have to wait a little longer for that." Mr Bérégovoy is expected to wait until after next year's elections before returning to the issue.

Corporate pension funds would not only provide new investment but also create a new breed of powerful investment institutions, instilling greater discipline in the market. But the unions are not the only obstacle. The brains in the finance ministry must also work out a way of persuading the French electorate to shell out for private pensions at the same time as they are supporting those already in retirement – an intellectual puzzle which will really test their ingenuity.

Banc One to buy Texan bank for $782m

By Martin Dickson in New York

BANC One, the US regional banking group, is expanding its presence in Texas with the $782m purchase of Team Bancshares, the sixth largest bank in the state.

The move is the latest merger among regional banking groups which are slowly consolidating the fragmented US banking system.

Ohio-based Banc One has a strong balance sheet, consistently good earnings and a record of successfully integrating acquisitions across the Midwest and Texas. It first expanded into Texas in 1989 through the purchase of the troubled MCorp banking group from the Federal Deposit Insurance Corporation – the government agency which oversees failed banks – and has since added to its network by buying several failed thrifts.

Its local subsidiary, Banc One, Texas, is the third-largest bank in the state, ranked by assets. It said the Team acquisition would move it into second place, with about 200 branches and $19bn in assets, behind NCNB and ahead of First Interstate.

Team, with headquarters in Dallas, has assets of $5.5bn and concentrates on retail and middle-market lending – areas which Banc One also favours.

The deal will give Banc One the largest presence, in terms of branches, in the Dallas/Fort Worth area and around the state capital of Austin.

The merger involves Banc One offering $82 of its stock for each share in Team. The two sides expect to complete the deal during the fourth quarter of this year.

Reliance to sell Hall stake

By Richard Lapper in London and Nikki Tait in New York

RELIANCE Group Holdings, the US insurance and investment company controlled by Mr Saul Steinberg, is seeking a buyer for its majority stake in Frank B. Hall, its troubled insurance broking subsidiary.

Hall, which is the seventh biggest broker in the world with income of around $463m in 1991, owns Leslie & Godwin, the leading Lloyd's broker.

Its sale would signal further realignment within the highly competitive broking sector.

Hall revealed that Reliance, the investment and insurance company was exploring the sale of its stake in a filing with the US Securities and Exchange Commission last week.

Reliance owns 68 per cent of the common stock, or 84 per cent if all warrants are exercised and preferred shares converted. It is believed to have called in Bear Stearns, the Wall Street investment bank, to advise.

Hall has incurred losses after tax in four of the last five years, reporting a deficit of $25.6m in 1991.

The sale opens new opportunities for Hall's leading international competitors who have been expanding market share in recent years. Three of Hall's toughest competitors in the US retail market have all made significant headway in the last 18 months. Corroon & Black linked up with the London-based broker, Willis Faber, in October 1990 to form Willis Corroon, the world's second biggest broker.

Rollins Burdick Hunter, which is part of the Aon Corporation, has also been expanding in Europe. It bought the Dutch broker Hudig-Langeveldt last August, overtaking Hall in the rankings (by revenues) as a result. Aon also owns a significant minority stake in the London market broker, Nicholson Chamberlain Colls, but lacks any presence in UK retail broking.

Last month New York-based Marsh McLennan, the world's biggest broker, also broadened its base in Europe, by buying Faugère et Jutheau, France's biggest broker.

Citicorp writes off $120m on Randsworth

By Alan Friedman in New York

CITICORP, the leading US bank, has written off $120m, nearly one third of its loan exposure, to Randsworth Trust, the UK property company placed in administrative receivership last week.

The decision to opt for receivership came after Citicorp failed to agree on a financial reorganisation with JMB Realty, the Chicago property investment firm that acquired Randsworth in 1989 on behalf of its pension fund clients.

Citicorp's exposure to Randsworth stems from a 1989 loan of £197m ($341m). But investors holding a separate $229m of debentures have a more senior claim as Randsworth creditors than Citicorp.

Following its write-off, Citicorp has about $215m of loan exposure to Randsworth. The bank said yesterday it had "recognised the erosion of value" but stressed it remained sanguine about eventually recovering the outstanding principal.

The Citicorp loan write-off represents a little more than 10 per cent of its $1bn loan exposure in the London property market. Citicorp also has about $300m of depressed property obtained after foreclosing on London-booked loans in the UK and Australia. Last year Citicorp wrote off a total of $304m of property loans in the UK and Australia.

Mr John Reed, chairman of Citicorp, last year took personal charge of the bank's troubled worldwide property loan portfolio and moved to reclassify loans in the US, UK and Australia. Most of Citicorp's problem property loans are in the crippled US market, where about 41 per cent of the bank's $12bn commercial property portfolio is classified as non-performing.

It remains unclear whether Citicorp will need to write off more of its outstanding $215m of Randsworth loans. The bank is understood to be discussing recovery prospects with KPMG Peat Marwick, the accountants who were last week named as court-appointed receivers of Randsworth.

Background, Page 30
US banking prospects, Page 20

Difficult trading year fails to slow Argos expansion

By John Thornhill in London

ARGOS, the catalogue showroom retailer, yesterday reported a 17 per cent fall in annual profits in the face of "the most difficult retailing environment since the company was launched in 1973".

Pre-tax profits slipped from £75.1m ($129.9m) to £62.1m due to the difficult trading climate and the additional costs of researching and launching a furniture store concept.

Although sales this year had shown a small increase on the previous year, Argos said it was difficult to predict trading conditions because of continuing political and economic uncertainty.

Mr Mike Smith, chief executive, said the company still had great scope for geographical expansion and had identified 500 sites. The company opened 18 stores in 1991 and ended the year with 265 outlets. It is currently opening about 25 stores a year.

Argos is also testing the furniture market by launching four Chesterman stores. Mr Smith said Argos had identified an opportunity to exploit the upper end of the furniture market, which was poorly served.

The first Chesterman store will open on Thursday in north London. Three more will be opened this year in Chatham, Fareham and Bristol. Mr Smith said he could envisage the company opening 30 stores within five years.

He also revealed that Argos was looking at launching a US-style "warehouse club", which sells a narrow range of goods at heavily discounted prices from large out-of-town stores.

Although the different cost structures of retailing in the UK had deterred it from opening such stores, he did not rule out the possibility of doing so.

In the year to December 28, sales rose from £905.57m to £926.65m, although operating profits slipped from £68.23m to £55.44m.

Interest income of £6.7m was £200,000 lower than the previous year, reflecting the general fall in interest rates.

A final dividend of 4.3p will increase the annual payout by 7 per cent to 6.4p. Argos shares closed down 4p at 253p.

Lex, Page 22

Philips to form joint ventures with Grundig

By Ronald van de Krol in Amsterdam

PHILIPS, of the Netherlands, and Grundig, its 32 per cent-owned German consumer electronics associate company, said yesterday they intend to set up joint ventures in the fields of video equipment and cordless telephones.

The video venture will encompass the development and production of video components such as video heads, scanners and video tape-decks.

Grundig, which has been controlled by Philips since 1984, will contribute its Nuremberg-based video operation to the venture, while the Dutch company will include its entire Vienna-based video business group.

A Philips spokesman said that details, including the precise split in share ownership, still had to be settled. No turnover figures were disclosed, but Grundig's video operations employ 1,900 people and Philips' 3,000.

The components and equipment made by the venture will be sold under the separate brand names Philips and Grundig. They will also be sold to other original equipment manufacturers for relabelling.

The aim of the video partnership is to make better use of production and research facilities.

Olivetti in computer printer link with Canon

By Haig Simonian in Milan

OLIVETTI, the loss-making Italian computers and office equipment group, is reinforcing its links with Canon of Japan with a L130bn ($103m) joint venture to produce up to 700,000 bubble ink-jet printers annually.

Bubble ink-jet printers represent the fastest-growing sector of the computer printer market. Olivetti estimates that such "non-impact" technology accounted for around one-third of the 7.8m printers sold in Europe in 1991, with a growth rate of around 25 per cent.

The two already collaborate through Olivetti Canon Industriale (OCI), a joint venture set up in 1987 to make photocopiers under both the Canon and Olivetti badges.

Under the latest deal, to take effect in April, OCI will create a new bubble ink-jet printer division, providing 580 jobs at its existing plant in northern Italy over the next five years. First-year output is expected to reach 200,000 units. Around L70bn of the total investment will go towards research and development, while L46bn will be spent on production.

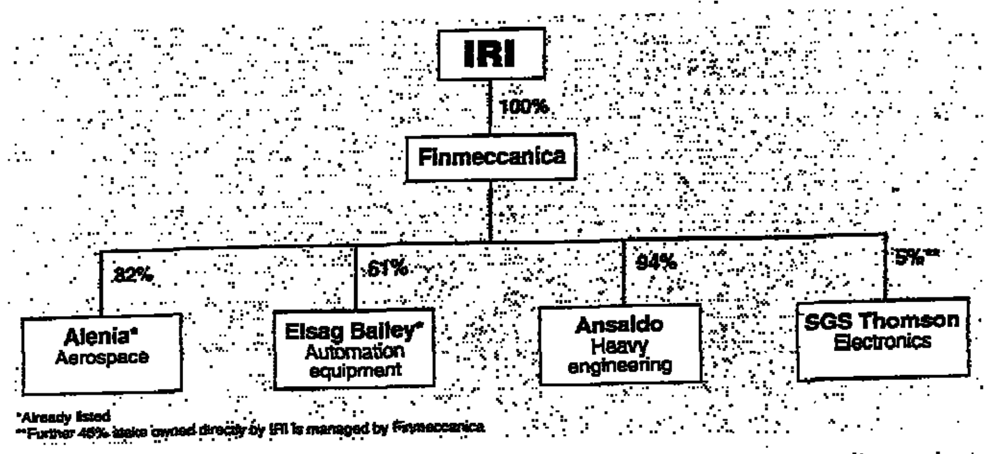
Olivetti has been attacked, unfairly it claims, for being slow to strike strategic alliances with other high-technology groups to help overcome its current problems. The latest deal should go some way to meeting such criticisms.

The company gave no precise sales or profits forecasts for the new venture. However, it claimed to hold around 11 per cent of the market, with sales of around L400bn.

The new joint venture will be based on Olivetti's existing production and research activities, to be complemented by the introduction of Canon technologies. According to Olivetti, the two companies are, with Hewlett Packard, the leaders in bubble ink-jet technology. The division will extend Olivetti's two-model range, with products using technology from both companies and marketed under both Olivetti and Canon names.

Finmeccanica deal produces indifference

Haig Simonian on reaction to the latest example of Italy's privatisation strategy



*Already listed
**Further 45% stake owned directly by IRI is managed by Finmeccanica

HAVING sold its Cementir cement operation and further diluted its telecommunications interests through convertible bond issues, Italy's giant IRI state holding company has turned to an outright flotation to muster funds for cash-hungry subsidiaries.

The candidate this time is Finmeccanica, the holding company for most of IRI's engineering interests. So far, the stock market has reacted with caution to the latest example of the Italian government's strategy on privatisation.

Milanese brokers gave Mr Giulio Andreotti, Italy's premier, a cool reception when he visited the bourse last week just one day after the Finmeccanica scheme was unveiled. Their reaction stemmed from cynicism about the government's privatisation policy in general and indifference to the deal in particular.

Many dealers are bitter that privatisation, Italian style, has been disappointing so far. Powerful vested interests among state companies' managements and the desire of politicians to keep their hands on the strings have meant that flotations have involved minority stakes or just slight dilutions of the state's entrenched majorities.

Even when more than 50 per cent of a state-owned company has changed hands, as in the case of Cementir, the transaction has been conducted via an auction, by-passing the bourse. To make matters worse, the Cementir deal took place just days before a new law came into effect protecting the rights of minority shareholders. Had the deal been postponed, the buyer, a Rome building group, would have had to offer small shareholders the same generous terms it bid to gain IRI's controlling interest.

The Finmeccanica deal will do little to diminish brokers' scepticism about privatisation. Under the complex terms, Finmeccanica will be floated via a reverse takeover by Sifa, a stock market-listed property and financial services subsidiary. That will be followed by a two-stage capital increase, with the eventual target of having 40 per cent of Finmeccanica's capital on the stock exchange.

Unless the pricing is unusually generous, the deal will do little to excite the market. Some of Finmeccanica's businesses, like the troubled Alenia aerospace concern and Elsag Bailey, a precision engineering outfit, are already listed. Others, like the Franco-Italian SGS Thomson electronics joint venture, would find it difficult to attract private-sector capital on their own.

The mixture of Finmeccanica's interests is one reason why analysts do not share politicians' enthusiasm about the proposed float. Selective investors can already buy into the group through the quoted subsidiaries. And if raising money is the priority, why not list Ansaldo, Finmeccanica's heavy engineering arm, which is the only big part of the group not already quoted, ask some analysts? As matters stand, only its Ansaldo Trasporti subsidiary has a listing.

The practice of floating both a public-sector holding company and its subsidiaries is not new in Italy. Both STET, the IRI-owned telecommunications holding, and its leading operating units like SIP and Italcable are traded on the market.

But the telecommunications set-up is easier to justify than that now planned for engineering. STET's quotation dates back longer. Analysts point out that buying shares in STET gives an investor a proxy for the entire Italian telecoms sector from manufacturing to operating utilities. The same can hardly be said for Finmeccanica.

The company has thoroughly restructured its activities since the days when it was best known for its loss-making Alfa Romeo cars operation, sold to Fiat in 1986. Finmeccanica has invested heavily, partly through purchases abroad, in high-tech businesses such as Elsag Bailey and Esaote Biomedica, a small bio-technology operation also due to be quoted.

Yet, despite its acquisitions, not all of Finmeccanica is flourishing. Alenia, formed in December 1990 from the merger of Finmeccanica's Aeritalia aerospace unit and Selenia, the defence electronics subsidiary of STET, has run into heavy turbulence following the dive in the civilian and military aerospace business. Earnings last year shrank to L56bn ($44m), forcing the company to cut its dividend for the second time running. Although Alenia is now starting to slim down, the outlook is not rosy.

Ansaldo, which had sales of L2,372bn in 1990, may now be faring somewhat better, having returned to profit in 1990 after its nuclear electricity generating operation was knocked for six by Italy's 1987 referendum against nuclear power. However, the group is still suffering from the economic downturn which has affected the world's big engineering and contracting concerns.

Even the legacy of Alfa Romeo lives on. One reason for Finmeccanica's current need to raise cash is to repay IRI L615bn, plus interest, which the European Commission says it gave in illegal subsidies to the cars group while still owned by Finmeccanica.

The repayment explains why Finmeccanica posted a L525bn group loss for 1991, compared with net profits of L119.6bn in 1990. Sales rose by 14 per cent to L10,966bn last year, but even after stripping out extraordinaries, the ratio of net profits to sales of 1.5 per cent in 1991 is hardly stunning.

Meanwhile net financial liabilities jumped by almost 17 per cent to L4,862bn – representing 44 per cent of turnover. Sceptics say Finmeccanica's argument that the high capital content of its activities dictates a lengthy pay-back period can also be used as a cover for poor results.

A marked improvement in operating earnings showed Finmeccanica may now be getting to grips with some of its problems. Next year will also see the arrival of the first tranche of the L1,025bn due from Fiat under the terms of the Alfa Romeo sale. The total is payable, interest free, in installments over the next five years. If Finmeccanica could offer terms like that to its future shareholders, there might be more of a rush to buy its stock.

Volvo goes to Procordia for new chief executive

VOLVO has appointed Mr Sören Gyll as chief executive to replace Mr Christer Zetterberg, who has headed Volvo since April 1990, writes Kevin Done, Motor Industry correspondent.

Mr Gyll, chief executive of Procordia, the Swedish pharmaceutical and foods group, would move to Volvo whether or not the planned merger of Volvo and Procordia takes place, the car and truck group said yesterday.

The appointment of Mr Gyll is a severe blow to the fortunes of Mr Christer Zetterberg, who is to be relegated to the post of deputy chief executive, according to a statement yesterday.

Mr Zetterberg, formerly president and chief executive of PKBanken, the Swedish state-owned bank, was expected eventually to succeed Mr Pehr Gyllenhammar, the Volvo chairman. But the relationship between the two has proved difficult.

The fate of the proposed SKr38.7bn ($6.5bn) merger of Volvo and Procordia remains uncertain. The Swedish government, which owns 42.7 per cent of the voting rights in Procordia, blocked the merger in January but is still discussing alternative solutions.

Mr Zetterberg said last week that the talks had entered a decisive phase and that a settlement would probably be announced in one to two weeks. He refused to predict the outcome.

When the deal was announced in January, the two companies said that Mr Gyllenhammar would become chairman of the merged group with Mr Gyll as president and chief executive officer. Mr Zetterberg was to become deputy chief executive responsible for Volvo's vehicle operations.

The appointment of Mr Gyll by the Volvo board, regardless of the outcome of the merger negotiations, has renewed speculation that Mr Zetterberg will shortly leave Volvo, however, possibly to return to the Swedish pulp and paper industry.

INTERNATIONAL COMPANIES AND FINANCE

TNT confident on European unit

By Kevin Brown in Sydney

TNT, the Australian transport group, expects its European distribution network to move into profit in 1992-93, Sir Peter Abeles, chief executive, said yesterday.

Sir Peter said increased revenues from deals with Federal Express, the US express mail group, and five European and North American post offices, would transform the loss-making European network.

The European network, which Sir Peter described as "the single biggest drag" on group profits, has never made a profit in spite of significant investment in trucks, aircraft and handling facilities.

Sir Peter said its prospects had been transformed by the post office deal, which sets up a joint venture company, called GD Net, to merge the express mail businesses of TNT and the Canadian, Swedish, French, German and Dutch postal authorities.

GD Net is also negotiating commercial agreements with a number of other post offices, including several in Scandinavia, Sir Peter said.

TNT announced last week that it had agreed to act as a sub-contractor for Federal Express in the delivery of inbound packages from the US to 10 European countries.

Sir Peter said the GD Net joint venture was expected to add about US$120m to European revenues next year. However, he said TNT did not expect to retain all the US$100m revenue of Federal Express' European operations.

Sir Peter Abeles: says he has no plans to retire

Sir Peter said the GD Net deal had been delayed for more than six months by adverse comment last year on the group's profitability and ability to pay its debts.

He said TNT had always maintained sufficient liquidity to meet its debts as they fell due for payment, and claimed media and market analysts had misunderstood the group because of its complex spread of businesses.

Sir Peter said TNT was "well on the way" to achieving a debt to equity ratio of 1:1, as forecast in last year's annual report. The current ratio was "in the region" of 1.3:1 or 1.4:1, he said.

Sir Peter, who founded TNT in the 1950s, also said he had no plans to retire, in spite of speculation that he would hand over to younger management once the group's balance sheet had strengthened.

DFC brings forward debt repayments

By Terry Hall in Wellington

DFC New Zealand, the former government-owned development bank which collapsed owing more than NZ$2bn (US$1.1bn) to international banks in October 1989, believes it can repay all its creditors earlier than expected.

It said yesterday it would repay the final NZ$235m to its tier-one creditors, those with top priority for repayment, on April 15, three years earlier than expected. This creditor group comprises several hundred mainly overseas banks.

Mr Sandy Maier, the statutory manager, said creditors in tier two, who were owed NZ$1bn, also "have the potential to see earlier repayments. There is nobody in front of them in the line now". The tier-two creditors were not scheduled to receive payments in their principal debt until 1997. They were not expecting interest payments until 1995 at the earliest.

With tier-one debt out of the way, interest costs had been reduced, so that money received from DFC's asset realisations could now be used to pay interest on tier-two debt. The early repayment of tier-one debt meant that NZ$1bn had been repaid in one year.

Mr Maier said DFC had sufficient assets to satisfy outstanding claims, even on a worst-case basis. It was also pursuing ongoing litigation.

Hong Kong Land rises 11%

By Simon Davies in Hong Kong

HONG KONG Land, the Jardine Matheson group's property investment arm, announced profit after tax for 1991 of US$298.1m, an increase of 11 per cent from US$267.7m in 1990.

The company, which dominates the office and retail market in the colony's financial district, reported an extraordinary profit of US$115.8m from the sale of seven non-core Hong Kong properties. It said none of its other properties was on the market, refuting widespread speculation that core properties may soon be sold.

Hong Kong Land recorded an average occupancy rate of 97 per cent on its investment portfolio. The average rental rates on office and retail space increased by 16 per cent and 31 per cent respectively, despite the softening rental market in 1992. Much of this would be attributable to the disposal of non-core properties, commanding significantly lower rentals.

Mr Simon Keswick, chairman, said there was little scope for earnings growth in 1992 from the existing Hong Kong portfolio. However, he said: "The group is in a strong financial position to take advantage of opportunities either in Hong Kong or in depressed world property markets."

The company had net borrowing of US$349.9m at the year-end, representing only 8 per cent of shareholders' funds.

Hong Kong Land's investment portfolio has come under pressure from an increase in supply of top-grade office space on Hong Kong island, which resulted in a sharp overall decline in market rental rates last year.

The directors recommended a final dividend of 6.15 US cents per share, making a total of 9 cents for the year, compared with 8.25 cents in 1990. The company also announced plans to transfer its primary listing to London if the Stock Exchange of Hong Kong goes ahead with proposed changes in its secondary listing rules.

Tighter margins hit Pick 'n Pay

By Philip Gawith in Johannesburg

RECESSION in South Africa caused earnings at Pick 'n Pay, the country's largest supermarket chain, to slip in the year to February.

Turnover rose 13.9 per cent to R5.91bn ($2.05bn), but tighter margins meant trading income declined to R127.9m from R133.5m a year earlier. The trading margin fell to 2.16 per cent from 2.57 per cent amid conditions described by Mr Raymond Ackerman, chairman, as the toughest he has experienced in 25 years.

Earnings dropped 2.5 per cent to R84.4m, with earnings per share similarly down at 107.9 cents. The total dividend was maintained at 57.5 cents.

Pick 'n Pay said its results showed it could not be blamed for the high level of food price inflation in the country. Food price rises have been singled out as the main culprit for the relative lack of success in driving down inflation in the country despite tight monetary policy by the Reserve Bank, the central bank.

The South African Central Statistical Service has estimated food price increases in 1991 were about 28 per cent. Pick 'n Pay disputes this figure, saying it overstates the importance of small traders and meat sales.

Prices in its stores, including tax, rose by 13 to 14 per cent during the year. Mr Ackerman said higher-margin, non-food sales, which account for about 20 per cent of the group's total sales, were subsidising food sales, not the other way round.

Although South Africa is only expecting 1 per cent real economic growth in 1992, the directors are confident Pick 'n Pay will achieve real growth in the year ahead.

Japanese steel group names new president

NKK, the Japanese steelmaker and one of the world's top five producers, will appoint Mr Shunkichi Miyoshi to replace Mr Yoshinari Yamashiro as president, Reuter reports from Tokyo.

Mr Miyoshi is currently NKK's vice-president in charge of technical issues. Mr Yamashiro will become chairman.

The change will take effect after it is approved at a shareholders' meeting in late June.

NKK said the change was aimed at strengthening management because NKK had to develop new business areas, such as electronics, and rationalise old areas when the economy was slow and difficult.

Profits at Showa Shell Sekiyu surge 160.9%

SHOWA Shell Sekiyu, the leading Japanese oil refiner and distributor 50 per cent-owned by the Royal Dutch/Shell group, has reported that group net profits for 1991 advanced by 160.9 per cent to Y26.53bn ($200.98m) from Y10.17bn a year earlier. Sales were marginally down at Y1,660bn compared with Y1,68bn, Reuter reports from Tokyo.

The company ascribed the large rise in group profits mainly to higher domestic prices for oil and oil products and to the strong yen.

Group pre-tax profits rose 90.3 per cent to Y45.6bn from Y23.97bn. Group earnings per share surged to Y97.14 from Y37.23.

The directors forecast group net profits for 1992 of Y21bn and group sales of Y1,570bn. They put group earnings per share for the year ahead well down at Y64.8.

● A court injunction stopping Shell Australia sending takeover documents to shareholders of coal mining group, Austen and Butta, has been extended to Thursday, Reuter reports from Sydney.

Austen and Butta has rejected a 70 cent-a-share bid from Shell Australia, owned by Royal Dutch/Shell, as too low. Shell Australia owns 49.5 per cent of the target's ordinary shares. The bid values it at A$67.5m ($51.5m).

Mr John Fuller, of Gadens Ridgeway, the law firm representing Austen and Butta, said orders made on Friday were yesterday extended in the New South Wales Supreme Court.

Turnover up at Malaysian life insurers

MALAYSIA'S life insurance industry earned aggregate revenue of M$2.71bn (US$1bn) in 1991, a rise of 21.4 per cent from 1990. Premium receipts grew 21.3 per cent, the country's director-general of insurance said in his 1991 report, Reuter reports from Kuala Lumpur.

Investment income rose 21.1 per cent and income from other sources by 23.8 per cent. New sums insured for life insurance in grew 5.8 per cent in 1991 to M$26.12bn, against 16 per cent growth in 1990.

The slower growth for sums insured was due to a sharp fall in temporary policies, to 3.9 per cent in 1990 from 25.3 per cent in 1990. The number of new policies issued and new annual premiums rose sharply by 24.8 per cent and 26.8 per cent respectively in 1991, from 5.7 per cent and 19.9 per cent.

Premium receipts accounted for 73.4 per cent of total income. Total expenditure incurred by the industry rose 19.8 per cent in 1991 to M$1.47bn.

As a result, the surplus of income over expenditure rose 23.5 per cent in 1991, from 14.6 per cent in 1990, to M$1.24bn. The director-general said total assets of life insurance funds stood at M$8.38bn at the end of 1991, an increase of 17 per cent from M$7.1bn at end-1990.

The general insurance industry total written premiums grew 18.1 per cent in 1991 to M$2.34bn, after growing 21.8 per cent in 1990.

HK trader seeks exchange listing

EASTERN Century, a Hong Kong company which trades in minerals and metals, yesterday announced it was seeking a listing on the local stock exchange. It is offering 95m, or 25 per cent, of its enlarged share capital, to raise HK$98m (US$13m), AP-DJ reports from Hong Kong.

The group said it had also formed a joint-venture with two mainland and two Hong Kong partners in Xinyu, Jiangxi province, China, for the production and trading of manganese ferro-alloys.

HK construction interest to buy Beazer Australia

B+B ASIA, the Hong Kong subsidiary of the Frankfurt-based construction company Bilfinger und Berger Bau, is to acquire Beazer Australia from Beazer, the UK building group, for A$34.5m (US$26.3), Reuter reports from Hong Kong.

B+B Asia agreed on March 20 to take all the shares of the Australian company currently held by Beazer. Beazer Australia is a holding company with interests in construction and land and property development.

Bilfinger und Berger will lend B+B Asia HK$165m (US$22.1m) for the acquisition, and the rest will be borrowed externally.

B+B Asia said it expected strong cash-flow in Australia to allow the loan to be paid off by the end of June. Payment would be made in the form of a non-interest-bearing loan to Beazer Australia to replace existing bank debt.

The acquisition is expected to be completed by April 10.

Record Telecom Argentina float raises over $1bn

By John Barham in Buenos Aires

THE ARGENTINE government has raised more than $1bn in the country's most successful privatisation.

The government yesterday completed the privatisation of Telecom Argentina when it sold its remaining 30 per cent share in the country's second largest telephone company to individual and corporate investors in an international share offering.

Officials said the Telecom flotation far exceeded their forecasts and out-performed the $838m raised last December from the sale of 30 per cent of Telefonica de Argentina, the country's leading telephone company.

There is concern, however, that Telecom's share price has been inflated by excessive bank financing. One bank offered to lend investors 80 per cent of their bid, many of whom hope Telecom will emulate Telefonica's share price, which has risen by two-thirds since flotation in December.

An analyst said: "This is like a great big margin trading South Sea bubble." Government officials are considering restricting bank financing in future flotations.

The privatisation process began in November 1990 when the telephone system was split into two companies and 60 per cent of their capital sold to two foreign operators in 1990 for $5.03bn in foreign debt certificates and $214m in cash. The remaining 10 per cent of equity is held in trust for company employees.

Mr Pedro Lopez, an official of the National Securities Commission, said the government had received more than 340,000 applications from potential investors offering $5.95bn for the shares.

However, only $1bn to $1.1bn worth of applications will be accepted, since most of the bids were made below the price established by auction.

Officials say that only about 20 per cent of the bids were made by foreign investors, the rest coming from Argentine investors using local or offshore funds.

Telecom, managed by the French and Italian state telephone companies which hold 39 per cent of the company, has stated it expected to raise sales this year to $1.2bn, up 39 per cent on 1991. Net profit is forecast to rise 30 per cent to $120m. Net margin is to rise to 25 per cent of sales by 1996, when annual sales should reach $2bn.

The second consecutive success of a privatisation issue has fuelled the booming Buenos Aires equity market, which rose 3.5 per cent yesterday morning on the strength of the Telecom flotation, while Telefonica shares rose 6 per cent.

Lift trucks joint venture set up

By Barbara Durr in Chicago

CATERPILLAR, the world's largest earth-moving equipment maker, and Mitsubishi Heavy Industries of Tokyo, have agreed to form a joint venture to produce and distribute lift trucks.

The new company, called Mitsubishi Caterpillar Forklift, will become operative on July 1.

A preliminary accord to explore a possible joint venture had been struck last December, but the final agreement came last Saturday. MHI will hold 80 per cent of the equity of the new joint venture company and Caterpillar 20 per cent.

While already approved by the two companies' boards, the joint venture is subject to approval by US, Japanese and European Community authorities.

Its main plants are planned for Houston, Texas, and Almere, in the Netherlands, though local manufacturing and marketing centres are envisaged for the Americas, Europe and Asia. The new company will design, manufacture and distribute lift trucks and other material-handling equipment and related components.

It plans to vertically integrate with in-house production of components such as hydraulics and power trains. Its products will be marketed under both the Caterpillar and Mitsubishi brand names and through the two parents' dealer organisations.

This latest venture deepens a lengthy working relationship between Caterpillar and Mitsubishi. Since 1963, they have been business partners in a joint venture company in Japan, called Shin Caterpillar Mitsubishi, which designs and manufactures construction equipment.

The announcement comes in the middle of a long and increasingly embittered strike at Caterpillar by the United Auto Workers. The strike, about to enter its sixth month, is expected to hurt Caterpillar's results this year.

Noranda Forest sees higher prices

By Robert Gibbens

NORANDA FOREST sees higher prices later this year for market pulp, wood products, and many packaging products, but little recovery in newsprint and fine papers.

However, operating rates should rise in all sectors, helping productivity and bolstering cash flow, Canada's biggest forest products company said. The outlook for 1993 is better.

Capital spending this year will be C$350m (US$292m), against C$284m in 1991, including C$300m to bring Macmillan Bloedel's mill effluent in British Columbia up to new federal environmental standards for 1994-1995.

Noranda Forest says all its mills in eastern and western Canada will meet the federal standards in time, but the big Northwood Pulp mill in British Columbia will require major modifications to meet the province's latest target of complete chlorine-free operation by the year 2002.

The British Columbia forest products industry is now in talks with the government concerning this new target, saying that no technology yet exists anywhere in the world to make compliance possible.

Bid for Central Guaranty branches

By Robert Gibbens in Montreal

NATIONAL Bank of Canada and CT Financial Services, the trust company arm of Imasco, the financial services, fast-food, tobacco and retailing group, are bidding for about 100 branches of Central Guaranty Trust, a key member of the troubled Central Capital group.

The branches have about C$7bn (US$5.8bn) of assets and represent about half Central Guaranty's business.

The two bidders would pay a premium approaching C$200m, analysts estimate, to be used to shore up Central Guaranty's capital position.

National would take 48 branches in Atlantic Canada and Quebec while CT Financial, parent of Canada Trust, would gain 49 branches in eastern and northern Ontario. Central Guaranty would be left with its business centred on southern Ontario, with branches in western Canada.

National Bank said it had revised the offer it originally made last December and is making it jointly with Canada Trust. It is Canada's sixth largest chartered bank, while Canada Trust is one of the country's two biggest trust companies.

Earlier, Montreal Trustco, a subsidiary of BCE, planned to take over all Central Guaranty through a merger, but failed to reach agreement on terms. National and Canada Trust say their joint offer has received approval from Central Guaranty's board.

Time Warner to launch NY channel

By Alan Friedman in New York

TIME WARNER, the US media and entertainment group, plans an autumn launch of the first round-the-clock cable news channel that is specifically focused on news in New York City.

The new channel, to be known as New York 1 News, is part of the company's expansion of its cable operations, which are the second largest in the US.

Fewer than 1m of Time Warner's nearly 7m national cable subscribers will be able to see the channel.

The launch of the new channel has been put off until September because of problems related to the site chosen for its Manhattan headquarters.

New York is one of the most profitable cable franchises in the US, and Time Warner has a number of expansion plans for the metropolitan area.

It recently started a 150-channel cable facility in the Queens section of New York and has been stepping up the development of pay-per-view movie channels.

Shareholder ends board bid at Sears, Roebuck

By Nikki Tait in New York and Barbara Durr in Chicago

MR ROBERT MONKS, the shareholder rights activist who has been campaigning vigorously for changes at Sears, Roebuck, yesterday withdrew his candidacy for a seat on the struggling retail and financial services group's board.

But Mr Monks made clear he was withdrawing only because he believed success in the vote at the Sears annual meeting in May was "mathematically inachievable".

He stressed he would support other dissident shareholder resolutions – "both vocally and financially" – including one which demands a study of the demerger possibilities at the group.

Mr Monks's Washington office also said it was "very likely" the activist would run for a board seat in 1993, if the company takes no action in the interim.

Sears confirmed it had been informed about the withdrawal of Mr Robert Monks as a candidate for its board, but refused to comment further.

Mr Monks lost a bid to join the Sears board last year, receiving 12 per cent of the vote. Before the election took place, Sears decided to shrink the size of its board from 15 members to 10, meaning that only three seats were up for election, instead of five. Under the cumulative voting system, that meant Mr Monks needed 25 per cent of votes cast at the meeting.

Sears has pledged to add new outside directors, but yesterday Mr Monks noted that "by not proposing any new candidate for a vacated seat", the company had effectively shrunk the board again.

"This leaves only three directors to be elected in 1992," he said, "making my candidacy mathematically inachievable."

Mr Monks, who owns 100 Sears shares and has no intention of buying more, highlighted a proposal which would require Sears management to hire independent investment bankers to evaluate the spin-off of the non-retail assets, as one that he was particularly keen to support. The proposal was made by Mr Hazard Bentley, agent of Allstate, the property-casualty insurer owned by Sears.

Concern over Sears has centred on its retailing business, which has a high cost base compared with many rivals. Critics say that retail operations has been slow to respond to trends in the industry.

Sears claims to be addressing the problems, but dissident shareholders argue that worries about the retail side depress the share price and the value of the financial services interests are overlooked.

Stanley Works buys two units

STANLEY Works, the US tools manufacturer, has acquired two tool companies with combined sales of about $80m, AP-DJ reports.

The businesses, both units of AXIA of Oak Brook, Illinois, include Goldblatt Tool, which makes masonry, tile and drywall tools, and employs 180 people at facilities in Kansas and California.

The business also includes Mail Media, which markets Jensen Tools through catalogue sales.

INTERNATIONAL COMPANY NEWS

Bayerische Vereinsbank up 10% in first two months

By David Waller in Munich

BAYERISCHE Vereinsbank, the large Bavarian-based bank, said that partial operating profits of its parent company rose by 10 per cent in the first two months of this year.

Mr Albrecht Schmidt, the chief executive, said yesterday there was no indication yet of a downturn in the lively lending business which led the group to report a 21 per cent increase to DM1.2bn ($720m) in partial operating profits for the whole of last year.

Mr Schmidt defended the bank's decision to hold the dividend for 1991 at DM13 per share – the same as in the past five years – in spite of the advance in profits, saying that the uncertain economic outlook for Germany made it sensible to harbour its resources and maintain its financial resilience.

Moreover, he said, the two rights issues last year meant that the total dividend would actually rise by 18 per cent. He noted that shareholders had also benefited from a 25 per cent increase in the share price in 1991.

Bayerische Vereinsbank last week announced a rights issue totalling DM627m to strengthen its balance sheet ahead of new minimum reserve requirements and to help fund new lending business later in the year.

● Bayerische Hypotheken-und Wechsel-Bank (Hypo-Bank) said group partial operating profits rose by 18 per cent last year to DM1.2bn.

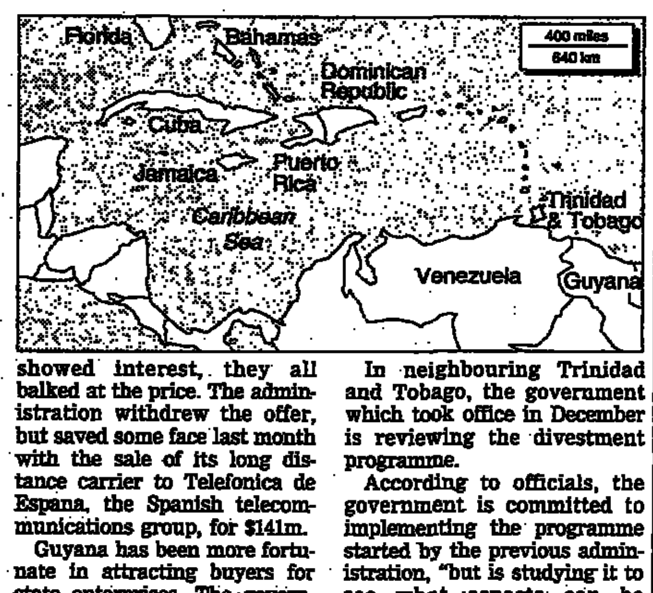
Total operating profits, which include trading on the bank's own account, were 27 per cent higher at nearly DM1.4bn. The bank, which last week announced a DM910m rights issue, is holding its dividend at DM13 a share.

Hypo-Bank said the lending volume of its parent bank rose by 10 per cent during the year to DM103bn, with the balance sheet total up by 8 per cent to DM134bn.

The group balance sheet total was 11 per cent higher at DM193bn.

Leaders feel the need for a dose of fiscal discipline

Caribbean governments are putting state enterprises up for sale to reduce deficits. Canute James reports from Kingston



GOVERNMENTS in the Caribbean are putting a range of state enterprises up for sale as they become penned in by reduced foreign investment and the need for improved fiscal discipline.

The driving force behind divestment has in some cases been the need to reduce fiscal deficits by selling off enterprises which have been a drain on the budget and to ease balance of payments problems by selling to foreign investors.

The deregulation of economies has provided another spur to divestment programmes, as well as the growing belief in market forces.

However, the effort can prove a headache. The Jamaican government, for example, announced last year it would have sell its 39 per cent stake in the island's largest commercial bank to the public. But this month, in a reversal of policy, its sold the shares by private treaty to a local insurance company and a building society for the equivalent of $23m.

Mr Hugh Small, the finance minister, said the state of the market would have brought the government much less than it received from the two purchasers.

Government sources said later that the government could not risk going public because it needed the money to satisfy conditions of an agreement with the International Monetary Fund.

The government is likely to hope that this does not affect its privatisation programme which has seen the sale of assets worth about $60m. These include holdings in hotels, telecommunications companies and a cement plant.

The government has identified another 65 enterprises and agencies which it intends to divest, among which are the international and domestic airlines, water and electricity companies, the railways, some port facilities and the postal service.

The Puerto Rican government tried last year to sell its telephone company for $3bn. Although several companies showed interest, they all balked at the price. The administration withdrew the offer, but saved some face last month with the sale of its long distance carrier to Telefonica de Espana, the Spanish telecommunications group, for $141m.

Guyana has been more fortunate in attracting buyers for state enterprises. The government has divested 13 state enterprises since the start of last year and is negotiating for another 10 to be partly or totally privatised. Another 16 are likely to be put on the block.

Among the enterprises the government wants to privatise are a sugar company, which Booker Tate of the UK is managing under contract while a US company has been negotiating for a stake in the local power company.

Just over 4m acres of the country's forests have been leased to South Korean and Malaysian investors who are putting $50m into a joint logging and saw-milling venture.

Prospective participants in the divestment programme may be wary of the attitude of the parliamentary opposition. Elections are expected later this year, and Dr Cheddi Jagan, the opposition leader, has said there was no guarantee that, if elected to the presidency, he would honour any divestment agreements reached just before the election.

In neighbouring Trinidad and Tobago, the government which took office in December is reviewing the divestment programme.

According to officials, the government is committed to implementing the programme started by the previous administration, "but is studying it to see what aspects can be improved".

In the Dominican Republic, the administration maintains it is committed to selling off state companies. But Mr Juan Arteaga, economic adviser to President Joaquin Balaguer, says there is reluctance to pursue the programme. "We are taking steps in this matter, but very slowly," he said.

"There are vital companies that we should have a hand on, such as the flour mills. On the other hand, electricity and the airline can be privatised."

The local representative of one multilateral financial institution concluded that privatisation was a sensitive political issue. "There are many public employees in the state enterprises, and they represent many votes which the government does not want to lose."

However, there are those, who counsel against undue haste in privatisation.

"I do not think that profitable government operations should be privatised," said Mr Michael Howard, an economist at the Barbados campus of the University of the West Indies.

Ahlstrom increases stake in Sibille-Dalle to 47%

By William Dawkins in Paris

FAMILY shareholders in Sibille-Dalle, one of the few remaining French-owned paper groups, have agreed to sell a 34 per cent stake to Ahlstrom, the diversified Finnish industrial group with interests in the paper business.

The deal, the price of which is not revealed, lifts Ahlstrom's investment in Sibille-Dalle, an unquoted company with a turnover of FFr2.8bn ($500m) which makes specialist papers, from 13 per cent to 47 per cent. The shares are being sold by the Bonduelle family, owners of vegetable canning business of the same name.

The remaining majority stake will continue to be held by the Sibille-Dalle family, which merged its paper interests with the Bonduelle paper business two years ago.

This is the latest in a series of investments by Scandinavian pulp and paper groups in the French paper industry, seen as attractive for its access to cheap nuclear powered electricity – valuable to such an energy intensive business – and to the main European paper markets.

In recent years, Finland's United Paper Mills has acquired French paper-maker Strasel and Kymmene has taken over La Chapelle-Darblay, France's main producer of newsprint. MoDo, the Swedish paper group, has taken over Aticel, while Beghin-Corbehem has been acquired by Stora, another Swedish group.

French retail chain lifts profits estimate

GALERIES Lafayette, the French stores group, said its parent company's net profit rose to a provisional FFr177.2m ($31.6m) in 1991 from FFr84.8m in 1990, Reuter reports from Paris.

The company said the net effect of acquisitions had depressed pre-tax profits by FFr68.9m. Without these exceptional items, pre-tax profit would be comparable with the 1990 level of FFr140.1m. Before amortisation of goodwill incurred in the acquisition of Nouvelles Galeries, Galeries Lafayette estimated its 1991 consolidated net profit, before minority interests, at FFr300m.

It put no figure on the goodwill. Attributable net profit in 1991 was FFr144.4m.

Bekaert slides to BFr652m loss

By Andrew Hill in Brussels

RESTRUCTURING costs hit Bekaert hard last year, turning a BFr508m profit at the Belgian producer of wire and steel cord into a consolidated loss of BFr652m ($18.8m). This compares with the 1990 loss of BFr454m.

Attempts to improve the group's competitiveness in steel cord and engineering activities cost Bekaert BFr1.16bn in 1991, but the group pointed out that operating margins and cash-flow had both improved.

The directors, who recommended a cut in Bekaert's dividend in 1990, have decided to maintain the payout for 1991 at BFr100 per share.

Bekaert's profits collapsed in 1990 and cash-flow halved, but Mr Jean Charles Velge, the chairman, said yesterday he felt the improving trend of Bekaert's results would strengthen in 1992.

He pointed out that the improved 1991 results were almost entirely due to internal efforts.

"Bekaert is not counting on a general economic recovery. We count first and foremost on our own strengths," he said.

Volume and turnover fell again last year, reflecting the continued economic uncertainty in Bekaert's overseas markets, particularly the US and UK, and persistent and fierce competition among tyre-makers, the principal customers for the group's steel cord.

Turnover dropped by 7 per cent to BFr53bn from BFr57bn, and sales volume slipped by 6.7 per cent.

Depreciation charges rose to a new high of BFr3.6bn as a result of the group's heavy investment programme. Cash-flow recovered to BFr3.99m compared with BFr2.68m, but that was still short of the 1989 figure of BFr5.68m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 23, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.8717	34.6422	43.2933
Albania	(Lek)	85.65	49.9416	29.8952	37.3609
Algeria	(Dinar)	37.8916	22.0942	13.2256	16.5285
Andorra	(Fr Fr)	9.7100	5.6618	3.3891	4.2355
	(Sp Peseta)	180.70	105.364	63.0715	78.8222
Angola	(Kwanza)	312.305	182.102	109.007	136.229
Antigua	(E Carr $)	4.6251	2.6968	1.6143	2.0174
Argentina	(Peso)	1.7019	0.9923	0.594	0.7423
Aruba	(Florin)	3.06627	1.7878	1.0702	1.3374
Australia	(Aus $)	2.2570	1.316	0.7877	0.9845
Austria	(Schilling)	20.1350	11.7405	7.0279	8.7829
Azores	(Port Escudo)	246.30	143.615	85.9685	107.437
Bahamas	(Bahama $)	1.7150	1	0.5986	0.748
Bahrain	(Dinar)	0.6438	0.3753	0.2247	0.2808
Balearic Is	(Sp Peseta)	180.70	105.364	63.0715	78.8222
Bangladesh	(Taka)	64.827	37.8	22.6272	28.2778
Barbados	(Barb $)	3.4454	2.0089	1.2025	1.5029
Belgium	(Belg Fr)	58.85	34.3148	20.541	25.6706
Belize	(B $)	3.426	1.9976	1.1958	1.4944
Benin	(CFA Fr)	485.50	283.09	169.459	211.778
Bermuda	(Bermudian $)	1.7150	1	0.5986	0.748
Bhutan	(Ngultrum)	50.00	29.1545	17.452	21.8102
Bolivia	(Boliviano)	6.5008	3.7905	2.269	2.8356
Botswana	(Pula)	3.73	2.1749	1.3019	1.627
Brazil	(Cruzeiro)	3187.68	1858.71	1112.63	1390.48
Brunei	(Brunei $)	2.8622	1.6689	0.999	1.2485
Bulgaria	(Lev)	32.24	18.7988	11.253	14.0632
Burkina Faso	(CFA Fr)	485.50	283.09	169.459	211.778
Burma	(Kyat)	10.7573	6.2724	3.7547	4.6923
Burundi	(Burundi Fr)	347.85	202.828	121.414	151.734
Cambodia	(Riel)	1199.10	699.184	418.534	523.053
Cameroon	(CFA Fr)	485.50	283.09	169.459	211.778
Canada	(Canadian $)	2.0500	1.1953	0.7155	0.8942
Canary Is	(Sp Peseta)	180.70	105.364	63.0715	78.8222
Cp. Verde	(CV Escudo)	117.794	68.6845	41.1148	51.3823
Cayman Is	(CI $)	1.4218	0.829	0.4962	0.6201
Cent.Afr. Rep	(CFA Fr)	485.50	283.09	169.459	211.778
Chad	(CFA Fr)	485.50	283.09	169.459	211.778
Chile	(Chilean Peso)	607.04	353.959	211.881	264.794
China	(Renminbi Yuan)	9.4416	5.5053	3.2954	4.1184
Colombia	(Col Peso)	1068.07	622.781	372.799	465.897
Comoros	(CFA Fr)	485.50	283.09	169.459	211.778
Congo (Brazz)	(CFA Fr)	485.50	283.09	169.459	211.778
Costa Rica	(Colon)	230.8267	134.593	80.5677	100.688
Côte d'Ivoire	(CFA Fr)	485.50	283.09	169.459	211.778
Cuba	(Cuban Peso)	1.2974	0.7565	0.4528	0.5659
Cyprus	(Cyprus £)	0.7995	0.4661	0.279	0.3487
Czechoslovakia	(Koruna)	50.02c	29.1661	17.4589	21.8189
		48.19t	28.0991	16.8202	21.0207
Denmark	(Danish Kroner)	11.10	6.4723	3.8743	4.8418
Djibouti Rep	(Djib Fr)	300.00	174.927	104.712	130.862
Dominica	(E Carrib $)	4.6251	2.6968	1.6143	2.0174
Dominican Rep	(D Peso)	21.8065	12.7151	7.6113	9.5121
Ecuador	(Sucre)	2243.60o	1308.22	783.106	978.67
		2302.27a	1342.43	803.585	1004.26
Egypt	(Egyptian £)	5.67	3.3061	1.979	2.4732
El Salvador	(Colon)	13.7388	8.0109	4.7953	5.9929
Equat'l Guinea	(CFA Fr)	485.50	283.09	169.459	211.778
Ethiopia	(Ethiopian Birr)	3.51	2.0466	1.2251	1.531
Falkland Is	(Falk £)	1.00	0.583	0.349	0.4362
Faroe Is	(Danish Kroner)	11.10	6.4723	3.8743	4.8418
Fiji Is	(Fiji $)	2.59	1.5102	0.904	1.1297
Finland	(Markka)	7.8025	4.5495	2.7233	3.4034
France	(Fr)	9.7100	5.6618	3.3891	4.2355
Fr. Cty/Africa	(CFA Fr)	485.50	283.09	169.459	211.778
Fr. Guiana	(Local Fr)	9.7100	5.6618	3.3891	4.2355
Fr. Pacific Is	(CFP Fr)	175.00	102.041	61.082	76.3358
Gabon	(CFA Fr)	485.50	283.09	169.459	211.778
Gambia	(Dalasi)	15.1772	8.8496	5.2974	6.6203
Germany	(D-Mark)	2.8650	1.6705	1	1.2497

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	678.711	395.75	236.897	296.057
Gibraltar	(Gib £)	1.00	0.583	0.349	0.4362
Greece	(Drachma)	331.02	193.015	115.539	144.393
Greenland	(Danish Krone)	11.10	6.4723	3.8743	4.8418
Grenada	(E Carr $)	4.6251	2.6968	1.6143	2.0174
Guadaloupe	(Local Fr)	9.7100	5.6618	3.3891	4.2355
Guam	(US $)	1.7150	1	0.5986	0.748
Guatemala	(Quetzal)	8.6973	5.0713	3.0357	3.7938
Guinea	(Fr)	1391.45	811.341	485.672	606.957
Guinea-Bissau	(Peso)	8565.00	4994.17	2989.53	3736.1
Guyana	(Guyanese $)	207.72	121.12	72.5026	90.6085
Haiti	(Gourde)	8.5650	5	2.9895	3.736
Honduras	(Lempira)	9.3203	5.4345	3.2531	4.0655
Hong Kong	(HK $)	13.2855	7.7466	4.6371	5.7952
Hungary	(Forint)	138.2048	80.5858	48.239	60.2856
Iceland	(Icelandic Krona)	102.5455	59.7932	35.7924	44.7308
India	(Indian Rupee)	50.00	29.1545	17.452	21.8102
Indonesia	(Rupiah)	3455.05	2014.61	1205.95	1507.11
Iran	(Rial)	2479.0v	1445.48	865.271	1081.35
		115.30o	67.2303	40.2443	50.2944
Iraq	(Iraqi Dinar)	0.5936	0.3461	0.2071	0.2589
Irish Rep	(Punt)	1.0745	0.6265	0.375	0.4687
Israel	(Shekel)	4.10	2.3906	1.431	1.7884
Italy	(Lira)	2151.50	1254.52	750.96	938.495
Jamaica	(Jamaican $)	37.44	21.8309	13.068	16.3315
Japan	(Yen)	229.25	133.673	80.0174	100
Jordan	(Jordanian Dinar)	1.1611	0.677	0.4052	0.5064
Kenya	(Kenya Shilling)	51.6983	30.1447	18.0447	22.551
Kiribati	(Australian $)	2.2570	1.316	0.7877	0.9845
Korea North	(Won)	1.6616	0.9688	0.5799	0.7247
Korea South	(Won)	1322.72	771.265	461.682	576.977
Kuwait	(Kuwaiti Dinar)	0.5046	0.2942	0.1761	0.2201
Laos	(New Kip)	1216.23	709.172	424.513	530.526
Lebanon	(Lebanese £)	2024.00	1180.17	706.457	882.879
Lesotho	(Maluti)	4.9667	2.896	1.7335	2.1664
Liberia	(Liberian $)	1.7150	1	0.5986	0.748
Libya	(Libyan Dinar)	0.4884	0.2847	0.1704	0.213
Liechtenstein	(Swiss Fr)	2.6050	1.5189	0.9092	1.1363
Luxembourg	(Lux Fr)	58.85	34.3148	20.541	25.6706
Macao	(Pataca)	13.7057	7.9916	4.7838	5.9784
Madagascar	(MG Fr)	3090.75	1802.19	1078.8	1348.2
Madeira	(Port Escudo)	246.30	143.615	85.9685	107.437
Malawi	(Kwacha)	4.8015	2.7997	1.6759	2.0944
Malaysia	(Ringgit)	4.4187	2.5765	1.5423	1.9274
Maldive Is	(Rufiya)	17.4041	10.1481	6.0747	7.5917
Mali Rep	(CFA Fr)	485.50	283.09	169.459	211.778
Malta	(Maltese £)	0.5580	0.3253	0.1947	0.2434
Martinique	(Local Fr)	9.7100	5.6618	3.3891	4.2355
Mauritania	(Ouguiya)	135.8409	79.2075	47.4139	59.2544
Mauritius	(Maur Rupee)	27.20	15.86	9.4938	11.8647
Mexico	(Mexican Peso)	5183.89	3022.68	1809.39	2261.24
Miquelon	(Local Fr)	9.7100	5.6618	3.3891	4.2355
Monaco	(French Fr)	9.7100	5.6618	3.3891	4.2355
Mongolia	(Tugrik)	68.52	39.9533	23.9162	29.8887
Montserrat	(E Carr $)	4.6251	2.6968	1.6143	2.0174
Morocco	(Dirham)	14.26	8.3148	4.9773	6.2202
Mozambique	(Metical)	3411.68	1989.32	1190.81	1488.19
Namibia	(S A Rand)	4.9667	2.896	1.7335	2.1664
Nauru Is	(Australian $)	2.2570	1.316	0.7877	0.9845
Nepal	(Nepalese Rupee)	79.8772	46.5756	27.8803	34.8428
Netherlands	(Guilder)	3.2250	1.8804	1.1256	1.4067
N'nd Antilles	(A/Guilder)	3.06627	1.7878	1.0702	1.3374
New Zealand	(NZ $)	3.1207	1.8196	1.0892	1.3612
Nicaragua	(Gold Cordoba)	8.5650	4.9941	2.9895	3.736
Niger Rep	(CFA Fr)	485.50	283.09	169.459	211.778
Nigeria	(Naira)	31.6048v	18.45	11.0313	13.7861
Norway	(Nor Krone)	11.2200	6.5422	3.9162	4.8942
Oman	(Rial Omani)	0.6574	0.3833	0.2294	0.2867

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	42.48	24.7696	14.8272	18.5299
Panama	(Balboa)	1.7150	1	0.5986	0.748
Papua New Guinea	(Kina)	1.6615	0.9629	0.5764	0.7203
Paraguay	(Guarani)	2430.58	1417.25	848.37	1060.23
Peru	(New Sol)	1.63	0.9504	0.5689	0.711
Philippines	(Peso)	41.6745	24.3	14.546	18.1786
Pitcairn Is	(£ Sterling)	1.00	0.583	0.349	0.4362
	(NZ $)	3.1207	1.8196	1.0892	1.3612
Poland	(Zloty)	23165.00	13507.3	8085.51	10104.7
Portugal	(Escudo)	246.30	143.615	85.9685	107.437
Puerto Rico	(US $)	1.7150	1	0.5986	0.748
Qatar	(Riyal)	6.2153	3.624	2.1693	2.7111
Reunion Is. de la	(F Fr)	9.7100	5.6618	3.3891	4.2355
Romania	(Leu)	338.27	197.245	118.07	147.555
Rwanda	(Fr)	215.45	125.627	75.2006	93.9803
St Christopher	(E Carr $)	4.6251	2.6968	1.6143	2.0174
St Helena	(£)	1.00	0.583	0.349	0.4362
St Lucia	(E Carr $)	4.6251	2.6968	1.6143	2.0174
St Pierre	(French Fr)	9.7100	5.6618	3.3891	4.2355
St Vincent	(E Carr $)	4.6251	2.6968	1.6143	2.0174
San Marino	(Italian Lira)	2151.50	1254.52	750.96	938.495
Sao Tome	(Dobra)	411.12	239.72	143.497	179.333
Saudi Arabia	(Riyal)	6.4034	3.7555	2.235	2.7931
Senegal	(CFA Fr)	485.50	283.09	169.459	211.778
Seychelles	(Rupee)	9.0290	5.26	3.1486	3.9349
Sierra Leone	(Leone)	740.50	431.778	258.466	323.01
Singapore	($)	2.8622	1.6689	0.999	1.2485
Solomon Is	($)	4.9680	2.8967	1.734	2.167
Somali Rep	(Shilling)	4488.06	2616.94	1566.51	1957.71
South Africa	(Rand)	4.9667c	2.896	1.7335	2.1664
		6.0517f	3.5286	2.1122	2.6397
Spain	(Peseta)	180.70	105.364	63.0715	78.8222
Spanish Ports in N Africa	(Sp Peseta)	180.70	105.364	63.0715	78.8222
Sri Lanka	(Rupee)	73.5049	42.86	25.6561	32.0635
Sudan Rep	(£)	154.17c	89.895	53.8115	67.2497
Surinam	(Guilder)	3.0577	1.7829	1.0672	1.3337
Swaziland	(Lilangeni)	4.9667	2.896	1.7335	2.1664
Sweden	(Krona)	10.3750	6.0495	3.6212	4.5256
Switzerland	(Fr)	2.6050	1.5189	0.9092	1.1363
Syria	(£)	34.6882	20.2263	12.1075	15.1311
Taiwan	($)	43.50	25.3644	15.1832	18.9749
Tanzania	(Shilling)	459.94	268.187	160.538	200.628
Thailand	(Baht)	43.9555	25.63	15.3422	19.1736
Togo Rep	(CFA Fr)	485.50	283.09	169.459	211.778
Tonga Is	(Pa'Anga)	2.2570	1.316	0.7877	0.9845
Trinidad/Tobago	($)	7.2802	4.245	2.5411	3.1756
Tunisia	(Dinar)	1.6025	0.9344	0.5593	0.699
Turkey	(Lira)	10567.69	6161.92	3688.55	4609.68
Turks & Caicos	(US $)	1.7150	1	0.5986	0.748
Tuvalu	(Australian $)	2.2570	1.316	0.7877	0.9845
Uganda	(New Shilling)	1714.88	999.93	598.562	748.039
U A E	(Dirham)	6.2708	3.6564	2.1887	2.7353
United Kingdom	(£)	1.00	0.583	0.349	0.4362
United States	(US $)	1.7150	1	0.5986	0.748
Uruguay	(Peso)	4652.21	2712.66	1623.81	2029.32
USSR	(Rouble)	1.0019o	0.5841	0.3497	0.437
		154.35m	90	53.874	67.3282
Vanuatu	(Vatu)	189.50	110.496	66.1431	82.6608
Vatican	(Lira)	2151.50	1254.52	750.96	938.495
Venezuela	(Bolivar)	103.8494	60.5535	36.2476	45.2996
Vietnam	(Dong)	19014.30	11087.1	6636.75	8294.13
Virgin Is-British	(US $)	1.7150	1	0.5986	0.748
Virgin Is-US	(US $)	1.7150	1	0.5986	0.748
Western Samoa	(Tala)	4.2006	2.4493	1.4661	1.8323
Yemen (Rep of)	(Rial)	22.1833	12.9348	7.7428	9.6764
Yemen (Rep of)	(Dinar)	0.7965	0.4644	0.278	0.3474
Yugoslavia	(Dinar)	243.1616	141.785	84.8731	106.068
Zaire Rep	(Zaire)	196266.00	114441	68504.7	85612.2
Zambia	(Kwacha)	221.41	129.102	77.2809	96.5801
Zimbabwe	($)	8.7363	5.094	3.0493	3.8108

Special Drawing Rights March 20, 1992 United Kingdom £0.795314 United States $1.35935 Germany D Mark 2.27623 Japan Yen unavailable
European Currency Unit Rates March 23, 1992 United Kingdom £0.713437 United States $1.22440 Germany D Mark 2.04414 Japan Yen163.666

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre Enquiries: 071 634 4360/5.
Monday, March 23, 1992

INTERNATIONAL CAPITAL MARKETS

Political concerns help weaken French bonds

By Sara Webb in London and Patrick Harverson in New York

FRENCH government bond futures lost nearly half a percentage point as the combination of the Socialist Party's poor showing in Sunday's regional elections and the fall in the German bond market pushed prices down.

GOVERNMENT BONDS

French government bonds have weakened over the past fortnight on political worries, but dealers said the regional election results were not as bad as investors had feared, with the right-wing National Front not doing as well as some had feared.

"There was no panic, no heavy selling, but the atmosphere was not very good and the mood is bearish," said one trader. The Matif futures contract fell from 107.46 at the opening to close at 107.04 although it firmed slightly in after-hours trading.

■ GERMAN government bond prices dropped on the release of higher-than-expected money supply figures, concern about the current wage negotiations, and the weakness in the US Treasury bond market.

The Liffe bund futures contract fell from its opening of 88.44 to end at around 88.14, compared with Friday's close of 88.50.

German M3 money growth hit 8.6 per cent in February, compared with 9 per cent in January, according to Mr Helmut Hesse, head of the regional central bank in the state of Lower Saxony.

Official confirmation of the M3 data is due later this week, but Mr Hans Tietmeyer, the Bundesbank deputy president, said that German M3 money growth remained too high and therefore monetary policy would not change in the short term.

Dealers said they had expected M3 money to grow by around 7.5 per cent in February. "M3 growth is showing no conclusive sign of deceleration," said one trader.

The breakdown of the wage negotiations at the end of last week further depressed the market. High wage settlements are likely to mean the Bundesbank will continue with its tight monetary policy, dealers said.

■ US TREASURIES recovered from early weakness yesterday, but amid quiet trading ahead of the week's auctions prices showed no signs of posting solid gains.

In late trading, the benchmark 30-year government bond was up ¼ at 99⅝, yielding 8.032 per cent. The two-year note was unchanged at 99⅞, yielding 5.806 per cent.

After last Friday's big sell-off in the wake of the Philadelphia Reserve Bank's business outlook survey, trading opened in subdued fashion yesterday. In the absence of important economic statistics, the market's attention remained focused on today's auction of $14.75bn of two-year notes and tomorrow's sale of $10.25bn of five-year notes.

In the current economic climate, with indicators showing signs of a modest recovery, dealers are worried the injection of fresh supply could depress prices further.

■ LONG-DATED UK government bonds made limited gains yesterday, shrugging off the results of the latest batch of general election opinion polls.

Labour moved ahead of the Conservatives in four out of five polls at the weekend.

Traders noted some switching out of short-dated gilts into the long end of the market. The benchmark 11¾ per cent gilt due 2003/07 climbed from its opening of 112⅛ to 112¼ by late afternoon, while the 10 per cent gilt due 1994 slipped from 99 25/32 to 99¾.

Volumes in the futures market were slightly below average at 19,000 contracts, and the Liffe gilt futures contract rose from 94.04 to 94.15 by late afternoon.

■ JAPANESE government bonds ended the day little changed as the market continued to wait for the Bank of Japan to cut interest rates.

The market expects a cut in the official discount rate (ODR) – currently at 4.5 per cent – of between 50 and 75 basis points this week.

Traders said the interest rate on three-month certificates of deposit slipped further as the money market continues to discount a cut in the ODR and reached 4.86 per cent yesterday compared with 4.92 per cent on Thursday.

Activity in the cash market was lacklustre, with the yield on the benchmark No 129 ending unchanged on the day at 5.345 per cent after profit-taking had wiped out early gains.

Dealers said that the market was encouraged by news that money supply growth in February reached a record low for the third consecutive month, with a year-on-year rise of 1.6 per cent, compared with 1.8 per cent in January.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.3127	+0.084	10.11	10.21	10.07
BELGIUM		9.000	06/01	100.9000	+0.400	8.84	8.76	8.76
CANADA *		8.500	04/02	98.1800	-0.260	8.78	9.14	8.41
DENMARK		9.000	11/00	100.9000	+0.700	8.83	8.72	8.60
FRANCE	BTAN	8.500	03/97	96.1455	+0.420	8.97	8.90	8.73
	OAT	8.500	11/02	96.6300	+0.470	8.99	8.80	8.47
GERMANY		8.000	01/02	99.8400	+0.270	8.00	7.94	7.94
ITALY		12.000	02/02	94.3700	+0.360	12.28†	12.16	12.27
JAPAN	No 119	4.800	06/99	95.8718	-0.004	5.60	5.70	5.69
	No 129	6.400	03/00	105.8217	-0.008	5.36	5.42	5.55
NETHERLANDS		8.250	02/02	99.1200	+0.245	8.37	8.26	8.33
SPAIN		11.300	01/02	102.1500	+0.500	10.91	10.86	10.76
UK GILTS		10.000	11/96	99-31	+01/32	10.00	9.94	9.45
		9.750	08/02	99-16	-03/32	9.83	9.76	9.52
		9.000	10/08	95-04	-04/32	9.60	9.54	9.16
US TREASURY *		7.500	11/01	99-06	+03/32	7.62	7.67	7.42
		8.000	11/21	99-17	+03/32	8.04	8.04	7.94

London closing, *New York closing. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Unibanco launches $100m deal

By Tracy Corrigan

ACTIVITY in the Eurobond market dwindled to a virtual standstill yesterday due to adverse conditions in most continental European government bond markets and an overhang of paper in the dollar sector.

INTERNATIONAL BONDS

But there was some activity in the specialised market for Latin American borrowers.

Unibanco (Uniao de Bancos Brasileiros), a private-sector Brazilian bank, launched a $100m two-year deal, arranged by Citicorp Investment Bank. The deal carries a 10 per cent coupon and was priced to yield 10⅛ per cent semi-annually, which amounts to a spread over the comparable US Treasury of 462 basis points.

The deal was oversubscribed, according to Citicorp and was bid at 99¾ at the close of European trading, just above its fixed reoffer level.

Spreads on Brazilian issues have tightened dramatically. State sector borrowers are now paying around 350 basis points over the comparable Treasury yield at two years, against 600 to 700 basis points when Brazil returned to the market last year, despite the fact Brazil has still not reached an agreement with its creditor banks over its commercial debt restructuring.

Another Brazilian borrower is expected to tap the Eurodollar bond market shortly. Copene (Copanhia Petroquimica do Nordeste), a private sector petrochemical company, is preparing to launch a $50m two-year deal which will have an 11 per cent coupon, with a 12 per cent yield to maturity.

Neither the Unibanco nor the Copene deals will be affected by a change in Brazilian withholding tax rules. However, future deals must have a maturity of more than 2½ years in order to be exempt from 25 per cent withholding tax on coupon payments to foreign investors. Until now, the minimum maturity for exemption was two years.

Merrill chairman awarded $16.8m salary package

By Patrick Harverson in New York

MERRILL Lynch, the big US securities house which last year earned record profits of $696m, has awarded its chairman a 1991 pay package of salary and stock options worth a current indicated value of $16.8m.

William Schreyer: award likely to fuel controversy

The pay package for Mr William Schreyer, Merrill chairman for the past decade, is one of the largest ever seen on Wall Street and is likely to add fresh fuel to the simmering controversy in the US over excessive pay awards to top business executives.

Only last week, it was revealed that Coca-Cola, the soft drinks group, had given its chairman 1m shares of restricted stock with a current market value of more than $80m.

Institutional investors and shareholders rights' groups in the US have argued recently that too many senior executives are being overpaid, and have targeted in particular the inclusion of stock options in pay awards.

Merrill, however, defended the payout yesterday. Mr James Wiggins, director of media relations at the securities firm said: "All of our compensation formulas are designed to pay for performance, and they reflect a record year of earnings for the company when shareholders saw the value of their common stock nearly triple."

Mr Wiggins also pointed out that only $5.9m of the package had been paid to Mr Schreyer. The remainder consisted of 300,000 in stock options which Mr Schreyer can exercise only at yearly intervals over the next four years.

Based on the difference between the options' exercise price of $21.375 and Merrill's current share price of almost $60, the options package is worth nearly $11m.

Mr Schreyer could earn more, or less, from the options over the four years depending upon how well the company's share price performs. Merrill said Mr Schreyer had so far not taken up his rights to any of the options, neither had he exercised any of the 300,000 options he was awarded in 1990, when his cash payout was $1.8m.

EUROMARKET TURNOVER ($m)

	Primary Market US $	Primary Market Non-$	Secondary Market US $	Secondary Market Non-$
Fixed income bonds				
Euros straight	830.6	3,268.1	23,232.3	48,167.7
Other straight	0.0	5,009.2	610.7	92,735.3
Convertible	0.0	19.4	882.8	1,456.0
Money market instruments				
FRN	995.0	609.1	6,504.4	5,908.0
CD's	168.1	22.7	1,214.2	346.3
Short & Med. Notes	18,862.9	6,923.6	7,918.0	13,269.0
Warrants	0.0	0.0	779.7	314.1
Equities	0.0	0.6	186.6	1,236.2
Total	18,456.8	16,072.8	41,326.9	164,431.6

	Cedel	Euroclear	Total
US$	20,024.4	39,761.3	59,785.7
Other	60,419.0	120,085.4	180,504.4

Week to March 19 1992
The Warrants and Equities figures are from Euroclear only
Source ISMA

Options market adopts revised margining regime

By Richard Waters

A REVISED margining regime came into force in the UK options market yesterday which, some traders claim, will have a significant impact on the way options are traded.

For some, the revised regime – one consequence of the merger of the London Traded Options Market with the London International Financial Futures Exchange, which was completed on Sunday – has come as an unpleasant surprise.

One trader complained his margin requirement – the collateral he must provide to guard against losses on his trading positions – had jumped more than threefold, to more than £750,000 ($1.2m), as a result of the merger. As a result, he must unwind some of his positions to reduce his exposure – a fact that made him reluctant to be named.

However, Liffe said the new rules had reduced the margining requirements for most options traders. As such, they may help to encourage trading of individual stock options, which have languished in London in the past.

The new method of assessing margining for options is one which has been in use for some time on the futures market. It is based on the "Span" method for calculating margins, developed by the Chicago Mercantile Exchange and used in London by Liffe and other derivatives markets. Liffe claims the system is more sensitive to risk than its previous version, or that used by the traded options market.

"The intention is to assess risk more accurately. There are particular situations where it will result in an increase in margin, but they are very few," Liffe said. The Span method assesses margin requirements by taking an overall view of a trader's portfolio. Factors which determine margin levels include market volatility over the past six months. One result of this has been to push up margining for stocks which have fallen in recent months, in some cases substantially. Previously, the traded options market applied only a nominal margining requirement for options which are substantially "out of the money" (where the exercise price and current market price are far apart, making exercise unlikely).

The implications of this for the market are only just beginning to sink in. As one trader said: "Before, you tried to get spreads as wide apart as possible. Now, the aim will be to get them as close to the money as possible."

He complained Liffe had done little to educate traders or brokers about the implications of the new rules, making it difficult to adapt a trading strategy to the new regime.

Liffe said it had used workshops and other methods to publicise the changes in advance. However, the full implications of the system seem only to have sunk in the past fortnight, since Liffe first told traders what their new margins would be.

● The first day's business on London's newly-merged futures and options markets failed to inspire a burst of celebratory trading, writes Tracy Corrigan.

Volume in FT-SE 100 index options reached 11,300 yesterday, virtually unchanged from Friday, against an uninspiring stock market. Index options are expected to benefit most from the merger, partly because cross-margining between the FT-SE futures and options contracts is now allowed – that is, traders can net off trading positions in the two contracts.

The market in individual stock options, which the merger is designed to revive, tailed off yesterday. Volume reached 17,700, down from 27,400 on Friday, but in line with average daily volume in February.

LONDON MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	104¼	105¼		7.07
ALBERTA PROVINCE 9 3/8 95	600	106⅝	107	-⅛	7.19
AUSTRIA 8 1/2 00	400	103¼	103¾	-¼	7.90
BANK OF TOKYO 8 3/8 96	100	102	102¼	-¼	7.77
BELGIUM 9 5/8 98	250	108⅛	108⅝	-⅜	7.92
BFCE 7 3/4 97	150	100¾	101¼	-⅛	7.56
BNP 8 5/8 94	300	104⅝	105	-⅛	6.42
BRITISH GAS 8 3/8 99	350	102	102½	-¼	7.99
CANADA 9 96	1000	106⅛	106⅝	-⅛	7.15
CARCO 9 1/4 96	650	101¾	103	-⅛	8.69
CCCE 9 1/4 95	300	106¼	106¾	-⅛	6.78
COUNCIL EUROPE 8 96	100	101¾	102½	-⅛	7.46
CREDIT FONCIER 9 1/2 99	300	108⅛	108¾	-¼	7.88
DENMARK 8 1/4 94	150	103½	104⅛	-⅛	6.48
DENMARK 9 1/4 95	1571	106⅛	106⅝	-⅛	6.92
ECSC 8 1/4 96	193	102⅞	103½	-¼	7.48
EEC 8 1/4 96	100	102⅞	103½	-⅛	7.42
EIB 7 3/4 96	250	101⅝	102¼	-⅛	7.28
EIB 9 1/4 97	1000	106¾	107¼	-⅛	7.71
ELEC DE FRANCE 9 98	200	105⅝	106	-⅛	7.78
EURO CRED CARD TST 9 94	325	103¾	104¼	-⅛	7.52
EUROFIMA 9 1/4 96	100	105¾	106½	-⅛	7.52
EXPORT DEV CORP 9 1/2 98	150	107⅞	108⅜	-⅛	7.85
FINLAND 7 7/8 97	200	100⅛	100¾	-⅛	7.83
FINNISH EXPORT 9 3/8 95	200	106	106½	-¼	7.39
FORD CAPITAL 9 3/4 97	250	104⅝	105¼	-¼	8.59
GEN ELEC CAPITAL 9 3/8 96	300	106⅛	106⅝	-¼	7.60
GMAC 9 1/8 96	200	103	103½	-⅛	8.21
GUINNESS FINANCE 8 94	200	102½	103	-⅛	6.76
IBM INTL FIN 7 3/4 94	200	102⅜	102⅞	-⅛	6.48
IND BK JAPAN FIN 7 7/8 97	200	100⅛	100⅝	-⅛	7.84
INTER AMER DEV 7 5/8 96	200	101	101¼	-¼	7.34
ITALY 8 1/2 94	1500	104⅞	105¼		6.37
JAPAN DEV BK 8 94	150	103¼	103⅝	-⅛	6.32
KANSAI ELEC PWR 10 96	350	108⅛	108⅝	-⅛	7.58
LTCB FIN 8 97	200	99½	100¼	-⅛	8.12
NEW ZEALAND 9 94	850	104⅞	105¼	-⅛	6.79
NIPPON CRED BK 10 3/8 95	150	107¾	108⅛	-⅛	7.77
NIPPON TEL & TEL 9 3/8 95	200	106¼	106⅞	-¼	6.95
ONTARIO 8 1/2 01	600	101	101¼	-¼	8.33
ONTARIO HYDRO 11 5/8 94	200	108⅝	109½	-⅛	6.57
OSTER KONTROLLBANK 8 1/2 01	200	103⅛	103⅝	-¼	8.00
PETRO-CANADA 7 1/4 96	200	99⅛	99¾	-¼	7.49
QUEBEC HYDRO 9 3/4 98	150	107⅜	107⅞	-⅛	8.22
QUEBEC PROV 9 98	200	103½	104⅛	-¼	8.19
SAINSBURY 9 1/8 96	150	104	104¾	-¼	8.01
SAS 10 99	200	104½	105½	-¼	9.09
SBAB 9 1/2 95	500	106½	106⅝	-¼	7.26
SNCF 9 1/2 98	150	107⅞	108⅜	-¼	7.86
STATE BK NSW 8 1/2 96	200	101⅞	102½	-⅛	7.95
SWEDISH EXPORT 8 3/8 96	700	103¼	103⅝	-⅛	9.97
TOKYO ELEC POWER 8 3/4 96	300	104⅛	104⅝	-¼	7.59
TOKYO METROPOLIS 8 1/4 96	200	102¼	103¼	-¼	7.51
WORLD BANK 8 3/8 99	1500	104⅛	104⅝	-⅛	7.79
WORLD BANK 8 3/4 97	1500	106⅛	106¾	-¼	7.38
XEROX CORPN 8 3/8 96	100	100½	101⅛	-⅛	8.22

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	100¼	100¾	-⅛	8.28
AUSTRIA 6 3/4 99	750	93⅝	94⅛	-⅛	7.96
BNP 8 1/4 01	200	102⅛	102⅜		7.90
DEUTSCHE FINANCE 7 1/2 95	1000	98⅜	98⅝	-⅛	8.04
EIB 5 3/4 98	400	89⅛	89⅝	-½	7.99
EIB 6 1/4 99	600	91½	92	-½	7.90
EUROFIMA 8 3/4 96	400	102¼	102¾	-½	8.08
FIRST INTERSTATE 5 3/4 96	100	86¼	86¾	-⅛	9.93
FORD MOTOR CREDIT 9 1/4 94	300	99⅞	100⅛	-⅛	9.26
IND BK JAPAN FIN 5 5/8 96	200	91	91		8.30
INTER AMER DEV 9 00	500	106¼	106¾	-⅛	7.99
IRELAND 6 1/2 99	300	91¼	92¼	-⅛	8.10
LUFTHANSA INT FIN 5 7/8 98	500	89¼	89¾		8.19
NAT BK HUNGARY 10 3/4 98	500	99⅞	100⅛	-¼	10.75
SWEDEN 6 1/8 98	300	91⅛	91⅝	+⅛	7.91
TURKEY 10 3/4 96	500	100⅝	101⅛	-⅛	10.54
WORLD BANK 0 15	2000	19½	20	-⅛	7.13
WORLD BANK 5 3/4 96	300	91⅞	92⅛	-⅛	8.33
WORLD BANK 8 3/4 00	1250	104	104½	-⅛	8.05

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	90½			6.92
AUSTRIA 4 5/8 98	100	90	90½	+½	6.74
CHUBU ELEC POWER 6 3/4 01	300	99	99½	-¼	6.90
COUNCIL EUROPE 4 3/4 98	250	90½	91	+½	6.75
EEC 5 1/2 00	100	91	92		6.91
EIB 6 1/2 98	800	99½	99¾	-⅛	6.59
ELEC DE FRANCE 7 1/4 06	100	103	104½	-½	6.90
FINLAND 5 3/8 95	150	96	96½	+¼	6.65
GENERAL MOTORS 7 1/2 95	100	97½	98½	-1	8.46
JAPAN DEV BK 5 1/2 94	100	96	96½		7.86
KOBE 6 3/8 01	240	98½	99		6.59
NEW ZEALAND 4 7/8 99	200	88	89¼	-½	7.14
QUEBEC HYDRO 5 08	100	78	79		7.39
WORLD BANK 5 03	150	85½	86		6.87
WORLD BANK 7 01	600	102⅛	102½	-⅛	6.66

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99⅛	99½		5.18
CREDIT FONCIER 5 1/4 94	20000	99⅜	99⅞		5.49
DENMARK 7 95	40000	104⅜	104⅞	-⅛	5.30
EIB 4 5/8 94	40000	99⅛	99⅝		4.87
ELEC DE FRANCE 5 5/8 96	20000	100¼	100¾	-⅛	5.55
FINLAND 6 3/4 96	50000	103⅜	103⅞	-⅛	5.78
INTER AMER DEV 7 1/4 00	30000	109⅛	109⅝	-⅛	5.75
KANSAI ELEC PWR 4 5/8 94	60000	98⅜	98⅞		5.46
NIPPON TEL & TEL 5 7/8 96	50000	101⅝	101⅞	-⅛	5.45
NORWAY 5 1/2 95	50000	99⅛	99⅝	-⅛	5.31
SNCF 6 3/4 00	30000	106⅝	107⅛	-⅛	5.65
SWEDEN 5 5/8 95	20000	100½	101	-⅛	5.45
WORLD BANK 6 3/4 00	50000	107½	107⅞	-⅛	5.56

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.98
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.17
WORLD BANK 8 96 LFr	1000	96¼	97¼		8.98
ENERGIE BEHEER 8 3/4 98 Fl	500	102¾	103¼		8.18
UNILEVER 9 00 Fl	500	104½	105		8.22
ALBERTA PROVINCE 10 5/8 96 C$	500	103⅜	103⅞		9.53
BELL CANADA 10 5/8 99 C$	150	103½	104⅛	-⅛	9.91
BRITISH COLUMBIA 10 96 C$	500	101½	101⅞		9.53
EIB 10 1/8 98 C$	130	102½	103½		9.55
ELEC DE FRANCE 9 3/4 99 C$	275	100¾	101¼	-⅛	9.58
FORD CREDIT CANADA 10 94 C$	100	99½	100¼	+⅛	10.19
GEN ELEC CAPITAL 10 96 C$	300	101⅝	102⅛	+⅛	9.49
KFW INT FIN 10 01 C$	400	101⅝	102⅛	-⅛	9.72
NIPPON TEL & TEL 10 1/4 94 C$	200	102¼	102¾	-⅛	9.79
ONTARIO HYDRO 10 7/8 99 C$	500	104	104⅜	-⅛	10.05
OSTER KONTROLLBANK 10 1/4 99 C$	150	102⅞	103⅜	-⅛	9.66
QUEBEC PROV 10 1/2 98 C$	200	102⅛	102⅝	-⅛	10.03
BELGIUM 9 1/8 96 Ecu	1250	101	101⅛	-¼	8.81
CREDIT LYONNAIS 9 96 Ecu	125	98⅝	99⅛	-¼	9.40
DENMARK 7 5/8 96 Ecu	250	93½	94⅛	-¼	9.61
EEC 7 5/8 94 Ecu	200	96⅞	97⅜		9.46
EIB 10 97 Ecu	1125	105⅛	105⅝	-¼	8.53
FERRO DEL STAT 10 1/8 98 Ecu	500	104½	104⅞	-⅛	9.08
ITALY 10 3/4 00 Ecu	1000	109⅝	110	-½	8.97
UNITED KINGDOM 9 1/8 01 Ecu	2750	102⅛	102½	-⅛	8.73
BP AMERICA 12 1/4 96 A$	100	106⅝	107⅛	-⅛	10.12
COMM BK AUSTRALIA 13 3/4 99 A$	100	114½	114⅞	-⅛	10.80
EKSPORTFINANS 12 3/8 95 A$	75	107⅜	107⅞	+⅛	9.55
EUROFIMA 14 5/8 94 A$	75	109⅝	110⅛	-⅛	9.32
MCDONALDS CANADA 15 95 A$	100	112¾	113¼		10.16
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅛	109⅝		9.24
STATE BK NSW 14 1/4 99 A$	100	115¼	115¾	-⅛	11.11
UNILEVER AUSTRALIA 12 98 A$	150	106½	107		10.49
VOLKSWAGEN INTL 15 94 A$	100	109⅞	110⅜	-⅛	9.51
ABBEY NATL TREAS 13 3/8 95 £	100	106⅛	106⅝		10.81
ALLIANCE & LEICS 11 3/8 97 £	100	100⅞	101⅜		11.12
BRITISH GAS 12 3/4 95 £	300	104⅞	105¼	-⅛	10.67
BRITISH LAND 12 1/2 16 £	150	104⅛	104½	-⅛	12.33
DEUTSCHE BK FIN 11 94 £	225	100½	101	-⅛	10.63
EIB 10 97 £	536.5	99⅛	99⅝		10.15
FINLAND 10 1/8 97 £	100	99⅛	99⅝		10.35
ITALY 10 1/2 14 £	400	100⅝	100⅞	-⅛	10.42
LAND SECS 9 1/2 07 £	200	86¼	86⅝		11.45
NORWAY 10 1/2 94 £	200	99¾	100¼	-⅛	10.62
ONTARIO 11 1/8 01 £	100	103⅛	103½		10.56
SEVERN TRENT 11 1/2 99 £	150	101⅞	102¼	+⅛	11.09
SKANDINAVISKA ENSK 13 1/8 95 £	100	105	105⅜		11.02
TOKYO ELEC POWER 11 01 £	150	103⅛	103½		10.44
WORLD BANK 11 1/4 95 £	100	101⅞	102⅜		10.49
ABBEY NATIONAL 0 96 NZ$	100	66¾	67¼	+⅛	9.51
BNP 12 96 NZ$	50	108⅜	109⅛		9.31
CEPME 10 95 FFr	2000	101⅞	102¼		9.28
ELF-AQUITAINE 9 99 FFr	600	99⅛	99⅝	-⅛	9.15
EURATOM 7 5/8 98 FFr	500	93⅜	94	+⅛	8.93

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.63	10.7675
BANCO ROMA 0.03 01	200	92.90	93.94	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.6875
BFCE -0.02 96	350	100.18	100.28	4.9175
BNP 05	300	97.75	98.72	5.5625
BRITANNIA 1/10 96 £	150	99.04	99.24	10.7875
CCCE 06 ECU	200	99.92	100.02	9.8594
CITIZENS FED 0.15 96	100	99.51	99.88	5.0000
CREDIT FONCIER -1/16 98	200	100.10	100.20	5.3438
DENMARK -1/8 96	1000	99.82	99.92	4.1875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.04	9.5938
ELEC DE FRANCE 1/8 99	400	101.33	101.96	5.2500
FERRO DEL STAT 94	200	101.03	101.39	4.4375
HALIFAX 1/10 94 £	200	99.91	100.01	10.5375
IRELAND 98	300	99.69	99.79	4.4600
ITALY 00	500	100.99	101.29	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.37	99.54	10.9375
LLOYDS BANK 1/10 PERP S 3	600	79.20	81.00	4.5375
MITSUI FIN ASIA 1/8 96	100	99.96	100.06	5.2500
NAT WEST FIN 3/16 05	400	93.13	94.05	5.5000
NEW ZEALAND 1/8 96	250	100.23	100.33	4.8130
RENFE 98	500	100.01	100.15	5.0000
SOCIETE GENERALE 96	300	99.79	99.89	4.5625
STATE BK VICTORIA 0.05 99	125	98.73	98.98	4.3625
UNITED KINGDOM -1/8 96	4000	99.99	100.02	4.2500
YORKSHIRE BS 1/10 94 £	165	99.57	99.67	10.5375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	129⅞	131⅜	
CHUBB CAPITAL 6 98	250	86	101⅜	102⅜	+33.18
EASTMAN KODAK 6 3/8 01	300	50.67	100⅛	101⅛	+24.88
GOLD KALGOORLIE 7 1/2 00	65	1.0554	83⅛	84⅛	+49.14
HANSON 9 1/2 06 £	500	2.5875	101	101⅝	+17.99
HAWLEY 6 02 PREF	400	19.1	96½	99¼	
HILLSDOWN 4 1/2 02 £	150	3.97	117½	118½	
LAND SECS 6 3/4 02 £	84	6.72	77¼	78¼	+29.65
LASMO 7 3/4 05 £	90	5.64	75⅝	76⅝	
MITSUI BANK 2 5/8 03	200	2337½	62⅝	64⅛	+27.76
MOUNT ISA FIN 6 1/2 97	100	2.283	95¼	96¼	+12.91
OGDEN 6 02	85	39.077	81⅝	82⅝	+43.36
SEGA ENTERPRISES 3 1/2 96	200	13018	102⅛	103⅛	+5.91
SMITH & NEPHEW 4 02 £	90	1.775	121⅛	122⅛	+47.82
SUMITOMO BANK 3 1/8 04	300	3606.9	62¼	63¼	+32.81
TEXAS INSTRUMENTS 2 3/4 02	300	82⅜	89⅝	90⅝	
THORN EMI 5 3/4 04 £	103	7.16	120⅝	121⅝	+16.09

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	38	23
Other Fixed Interest	5	3	9
Commercial, Industrial	184	411	876
Financial & Property	73	224	491
Oil & Gas	15	27	45
Plantations	0	0	9
Mines	16	36	95
Others	39	38	61
Totals	351	777	1,609

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
500	F.P.	-	548	462	Amicable Smllr. Units	463		N3.1	-	0.9	-
106	F.P.	-	104	95	Avonside Group	104	+1½	L5.8	2.1	7.4	8.4
-	F.P.	-	378	378	Bodycote Intl (RFD)	378		8.75	3.0	3.1	13.9
‡	F.P.	-	75	56	Capital Industries 1p	57		-	-	-	-
70	F.P.	-	72	63	Fleming Inc & Cap Tst Inc.	67	+1	F4.73	-	9.4	-
100	F.P.	-	102	94	Do. Units	98		F4.73	-	6.4	-
30	F.P.	-	32½	30½	Do. Zero Div. Pf.	32		-	-	-	-
110	F.P.	-	122	119	Forth Ports	122		W5.5	3.6	6.0	6.1
-	F.P.	-	72	69	Headlam Group (RFD)	70		2.4	1.2	4.6	23.4
£105⅛	F.P.	-	£121⅛	£105⅛	Latin Am Inc & Appr. 1c	£111½		-	-	-	-
100	F.P.	-	99	97	Lloyds Smlr Co's Pckg Uts.	97		-	-	4.8	-
38	F.P.	-	39	34	Do. Dividend	37		-	-	-	-
62	F.P.	-	62	57	Do. Capital	60		-	-	-	-
-	F.P.	-	11	¼	Multitrust Warrants	11		-	-	-	-
-	F.P.	-	104	102	Riv & Mrc Tst Inc 12 1/2p	103		N9.2	-	11.9	-
-	F.P.	-	124	117	Do. Stpd Prf 12 1/2p	123	+½	N5.6	-	6.1	-
115	F.P.	-	128	121	Rosebys	127		L4.3	1.7	4.5	14.6
100	F.P.	-	100	99	Templeton Emrg. Mkts. C.	99	-1	-	-	-	-
-	F.P.	-	160	158	Usher-Walker (RFD)	158	-2	5.5	1.3	4.6	21.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	101½p	99½p	Bank of Ireland Units Non-Cum Prf A	99½p	
10p	F.P.	-	10p	8p	Burce Mining 10pc (Net) Cv Prf 1994	9p	
100	F.P.	-	107½	98½	Cambourne Inds 10½pc Rd. Deb. 2001	105½	
100p	F.P.	-	107p	100p	Fidelity Euro. Values Equity Ln 2001	107p	
105	F.P.	-	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	110	+5
100p	F.P.	-	105¾p	98¾p	NatWest Bank 9pc Prf Series A	99¾p	+½
650p	Nil	-	135pm	93pm	Thorn EMI Non-Int. Bearing Cv Units	95pm	+2
‡	F.P.	-	75p	68p	Wembley 6p (Net) Cv Cum Prf 1999	68p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
12	Nil	28/4	½pm	½pm	Addison Consultancy	½pm	
410	Nil	22/4	115pm	52pm	Bespak 10p	108pm	
212	Nil	27/3	37pm	21pm	British Vita	27pm	-2
27	Nil	27/3	½pm	¼pm	Caldwell Invs. 10p	¼pm	
8	Nil	26/3	4pm	¼pm	Maddox 5p	¾pm	
95	Nil	16/4	11pm	2½pm	Raine Industries 10p	3pm	-½
215	Nil	1/5	40pm	9pm	Trinity Intl 10p	9pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. v Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings March 16
● Last Dealings March 27
● Last Declarations June 25
● For settlement July 6

3-month call rate indications are shown on this page.

Calls in: Cluff Resources, Lonrho, Pittencrieff, Proteus, Sphere Inv. and Tarmac. Puts in: Futura and Tarmac.

Because of technical problems at source the London Traded Options table was not available for this edition.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	17	Sears	8	■ OILS	
Allied-Lyons	49	Comm Union	32	Legal & Gen	27	SmKl Bchm A	65	Aviva Pet	30
Amstrad	5½	Courtaulds	39	Lex Service	16	TI	48	BP	21
Astec (BSR)	3	Eurotunnel	34	Lloyds Bank	29	TSB	9½	Burmah Castrol	38
BAT Inds	50	FKI	5½	Lonrho	15	Tesco	19	Conroy Pet	8
BOC	49	FNFC	8	Lucas Inds	10½	Thorn EMI	58	Gaelic Res	½
BTR	32	Forte	18	Marks Spencer	24	T & N	11½	Premier Cons	2½
Barclays	30	GKN	26	Midland Bank	19	Unilever	70	Shell	33
Blue Circle	20	Gen Accident	31	NatWest Bank	23	Vickers	12	Tuskar Res	½
Boots	33	GEC	15	P & O Dfd	30	Wellcome	72	■ MINES	
Bowater	58	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	42
Brit Aerospace	30	Grand Met	70	RHM	18	Brit Land	18		
British Steel	6	GRE	10	Rank Org	52	Land Sec.	32		
Brit Telecom	24	Hanson	16	Ratners	3	MEPC	26		
Cadburys	33	ICI	90	Reed Intl	39	Mountleigh	1½		

Record result at Spring Ram in 'worst downturn'

By Peggy Hollinger

SPRING RAM Corporation, the bathroom and kitchen manufacturer, reported a 25 per cent increase in pre-tax profits, from £30.1m to £37.6m, for the year to January 3.

The result, struck on turnover 34 per cent higher at £194.2m (£145.3m), was boosted by £2.5m in interest gains. The group ended the year with no debt and cash 45 per cent higher at £45.3m.

The Fordham group, purchased for £5.8m last year, contributed £12m in turnover, but nothing to profits.

Mr Stuart Greenwood, finance director, said the group had performed well through "the worst downturn in living history". Turnover, earnings per share and profits had all reached record levels. Furthermore, he added, "we have a balance sheet like a fortress". The planned £102m expansion plan would be funded out of cash resources and £8.5m of government grants.

Phase one of the programme had been completed during the year, accounting for about half of the £14m (£2.3m) in capital expenditure. Capital spending was expected to jump to £42m in 1992 and £35m in 1993.

Phase two, which was aimed at building a plant to accommodate the recently-purchased Regency Doors group, would be complete in mid-1992. Other plans included a ceramic tile and sanitaryware factory to be built in Bradford at a cost of £35m.

Mr Greenwood said that in spite of the increased capital spending the group expected to end 1992 with £25m in cash.

The group's three divisions, kitchens, bathrooms, and special products, all showed good growth in the 12 months. The company refused to break down the individual figures, however.

Mr Bill Rooney, chairman, said the new year had started well, with sales well up in the first 10 weeks.

Earnings per share advanced from 5.4p to 7.1p. A proposed final dividend of 0.202p makes a total of 0.288p (0.24p).

● COMMENT

If you really search, it might be possible to find a city analyst with a criticism of this rapidly-growing company, which claims 16 subsidiaries and 47 directors, (all of whom are male). Attempts include those who wonder whether the cracks are showing in the happy family structure following the departure of Mr Francis Galvin, a director, last year, and rumours surrounding others. Also the group's depreciation charge has been accused of being "a bit miserly". Finally, Spring Ram has seen a hefty jump in its stock levels, but the company has a ready answer. "We build for stock," they say and cite their reputation for prompt delivery. No gearing means they can probably afford it. The company looks almost certain to continue building market share on its successful formula. But the market has already absorbed this fact. Forecasts of £45m leave the group on a multiple of about 18. For now, the shares look fully valued.

Co-op Bank deficit cut to £6m

By David Barchard

BAD DEBTS on its lending to small and medium sized business customers pushed the Co-operative Bank into a loss for the second year running in 1991.

The pre-tax loss, after £45m in provisions against bad debts on the bank's loan book of £2.7bn, was £6m, down from a pre-tax loss of £14.9m in 1990.

In 1990 bad debt provisions totalled £57.2m.

Losses per share emerged at 1.2p (1.7p).

During the year, the size of the bank's balance sheet shrank from £3bn to £2.8bn. There was also a reduction of 753 in the bank's staff which now stands at 3,684. The restructuring of its operations cost the bank £6.3m in exceptional costs.

Though the bank's bad debt experience remained poor in 1991, there were fewer hits from large company failures than in the previous year.

Mr Terry Thomas, general manager, said that more than 60 per cent of the bank's bad debts came from individual losses of below £500,000.

"The fashionable view is that these failures related to new and overgeared companies established in the boom years of the 1980s, but sad to relate this is not our experience.

"Many corporate customers of 10 years or more who had already survived one or more recessions have perished during this incredibly difficult year," Mr Thomas said.

He said that the bank and its wholly-owned subsidiaries had all improved their profits in 1990 despite the recession. Its cost-income ratio is now 11.3 per cent, compared to 11.5 per cent a year ago.

US casualties at property blackspot

Vanessa Houlder assesses the consequences of Randsworth's losses

LONDON'S reputation as one of the world's worst property blackspots has been underlined by the heavy losses sustained in the first large foray by US funds into the UK property market.

The £258m acquisition of Randsworth Trust at the peak of the market in 1989 has resulted in estimates of a £70m loss for Citibank and a £238m loss for the clients of JMB Realty, a Chicago real estate group.

The losses demonstrate the severity of the decline in London office values. At the time of the acquisition, the Randsworth portfolio was worth £473m. In April 1991, it was valued at £353m. The latest assessment puts the value at about £260m.

This slump is worse than average. After soaring between 1985 and 1989, West End office values have fallen by 30 per cent from the peak as the recession took a particularly heavy toll on the service businesses in the area. The retail market was also badly scarred by increased rates charges and the impact of high interest rates.

The Randsworth portfolio, which comprises 650,000 sq ft of office space and 300,000 sq ft of retail space in Oxford Street, Mayfair, Knightsbridge, Kensington and St James's, may have been particularly badly hit because of the development properties within its portfolio. Its best-known development, in Berkeley Square, which aims to be one of the most expensive addresses in London, has been empty for several months.

Randsworth's problems were exacerbated by the highly geared structure of the acquisition vehicle. Investors put up £95m of equity and £95m of loan notes, while Citibank put up £180m of debt. The Citibank debt ranked second to a £135m debenture held against the assets of London & Provincial Shop Centres, the company's main asset.

JMB has been in talks for 15 months in an attempt to raise more equity and persuade its bank to swap debt for equity. After putting in an extra £58m at the start of 1991, its investors called a halt to further cash injections. "The money was running out faster than it was being put in," said one adviser.

The collapse of the Randsworth deal has important consequences for the perception of the UK property market for US investors. JMB's misfortunes have been followed with intense interest. It is seen as one of the largest, controlling some £10bn of property funds, and most skilled property investors in the US.

For some US commentators, the failure of Randsworth highlights both the insecurity of the London market and the extra risks entailed by venturing into unknown territory.

JMB was attracted to London because of the relatively high investment returns. However, at the same time that it and other overseas investors were putting funds into the UK market, UK institutions were taking money out of London property.

The company also made large losses on its stakes in Rosehaugh and Priest Marians, two high-flying property companies which came close to collapse by the decline in the market.

Not all US investors have been deterred from exploring the UK market. The O'Connor Group, a real estate fund, has been talking to Hammerson about a joint acquisition of the Merry Hill shopping centre in Dudley, West Midlands. "The more astute realise they are looking at an different market," says a US pensions fund adviser.

But some commentators think that the failure of JMB's long-running attempt to salvage the business is fundamentally a vote of no confidence in the London market.

If the investors believed that the UK market was likely to see an upturn, they would be prepared to see the Randsworth deal through. Randsworth's demise, coming in the same month as the well-publicised problems of Olympia & York, another North American investor that put money in the London market, is a sobering precedent for future investors.

Single malt lift for Macallan-Glenlivet

By Philip Rawstorne

MACALLAN-GLENLIVET, the Scotch whisky distiller, increased pre-tax profits by 10 per cent, from £6.69m to £7.38m, over 1991.

Operating profit rose 19 per cent to £6.36m (£5.34m) on turnover 9 per cent higher at £17.4m (£15.9m).

Mr Allan Shiach, chairman, said the profit increase came primarily from growth in sales of the Macallan single malt, which was now achieving widening international distribution. Sales were particularly buoyant in Italy.

The deflated world economy led to even more competitive market conditions and to a lower demand than usual from blending customers.

Commenting on the short-term outlook, Mr Shiach said the effects of recession at home and abroad were likely to make trading conditions particularly difficult.

"These conditions have influenced blenders' forecasts and further reduced demand for new whisky," he added. "We expect the current year to reflect this decline though we also look to growth in sales of the Macallan to help mitigate its effect."

Earnings per share improved to 4.95p (4.69p) after conversion of 90 per cent of the convertible loan stock issued in 1985.

A final of 0.5125p raises the total to 0.7625p (0.61p).

Linread's £2.2m loss as exceptionals take toll

By Paul Cheeseright, Midlands Correspondent

LINREAD, the Birmingham-based manufacturer of fasteners and components for the aerospace and motor industries, fell into losses in 1991. Turnover dipped £3m to £39.7m.

The pre-tax deficit, struck after sizeable exceptional charges, was £2.2m, compared with profits of £2.08m in the previous year and a first half profit this time of £126,000. Losses per share were 13.84p compared with earnings of 11.07p.

Nevertheless, a final dividend of 1.5p is proposed, bringing the total to 3.5p (5.7p). Mr Peter Tahany, chairman, said the payment "is basically an expression of confidence."

This follows elimination of loss-making activities, including the North Bridge Hassall subsidiary in the US and a fasteners factory in the UK, at an exceptional cost of £2.86m.

It also springs from the turnround in the commercial products division, of which fasteners are a part. In 1991, it incurred trading losses of £1.47m but in the first two months of this year has been trading at a slender profit.

The company is expecting higher earnings to flow from a reduced cost base, but Mr Tahany is taking a cautious view of demand this year from the aerospace market, hitherto the main source of profits, where British Aerospace is a leading customer. However, on the engine side, he noted that Linread had been designated as a preferred supplier by Pratt & Whitney, the US engine manufacturer.

Mr Tahany was more optimistic about demand from the motor industry.

Ex-BAT director to take chair at Cannon Street

By Roland Rudd

CANNON Street Investments, the industrial holding company undergoing a financial reorganisation, is to appoint a new chairman as it prepares for further disposals to bring down borrowings.

The company is expected to announce on Thursday, when it publishes its results, that Mr Tom Long, a former director of BAT Industries, is to become chairman.

He will replace Mr John Maclean, who briefly took over the chair in December following the resignation of Mr William Hislop.

Mr Hislop turned Cannon Street round in the 1970s, but allowed the group's borrowings to get out of hand in the 1980s. By 1991 gearing was more than 400 per cent.

Mr Long's appointment follows pressure from institutional investors who had wanted to see an independent non-executive chairman. He helped BAT to repel Sir James Goldsmith's unbundling attempts in 1989 and is also a former chairman of Foseco, now part of Burmah Castrol.

Cannon Street has recently made three disposals, worth £60m, strengthened the management team, under the new chief executive Mr Robin Binks, and cut operating costs.

While gearing has fallen to less than 80 per cent, the group is looking at further divestments. Top of the list is the Craigendarroch group of Scottish hotels and leisure activities, expected to fetch about £30m although they were bought for £40m.

The mini-conglomerate recently announced the flotation of its Avonside building arm.

Woodchester advances 34% to I£39.6m

By Tim Coone in Dublin

WOODCHESTER Investments, the Dublin-based leasing and financial services group, reported a 34 per cent growth in pre-tax profits from I£29.6m to I£39.6m (£37m) for 1991.

The results included an exceptional gain of I£3.3m from the disposal of Pinnacle Insurance in the UK. The underlying trading profits increased by a more modest 26 per cent. The results were broadly in line with market expectations.

Gross rentals were up by 16 per cent to I£377.5m (I£324.3m), while group assets rose from I£1.08bn to I£1.12bn.

The figures included a first time contribution from the Mercantile Credit Company (Ireland), acquired from Barclays at the end of 1990.

Mr Craig McKinney, chairman, said: "The result represents a considerable achievement given the difficult conditions prevailing, in particular in the UK." He added that the group's consumer finance and leasing operations had remained profitable in the UK despite the high level of insolvencies there.

The expansion of the equity base from 139m shares to 194m shares was largely the result of Credit Lyonnais increasing its 29.8 per cent stake to 45 per cent in January 1991, and a I£12m rights issue the same month.

The group now has estimated cash of I£80m, which together with a new £85m syndicated loan facility arranged through Credit Lyonnais, gives it a substantial war chest for new acquisitions.

A number of opportunities in the UK are being examined. Mr McKinney said: "We will not be looking at anything with gross assets of anything less than I£200m".

He added that although competitors in the Irish market had been dismantling their UK leasing operations "we believe it is short-sighted. The UK is always going to be an important market . . . While we believe that 1992 will be difficult, with our well developed infrastructure we are well positioned to take advantage of any upturn in the UK economy".

Meanwhile, the strategic acquisition of between 30 per cent and 40 per cent of CLLE, Credit Lyonnais' European leasing activities, is moving forward. A due diligence exercise of CLLE's subsidiaries is under way and the deal is expected to be presented for shareholder approval "within the next two months".

The incorporation of CLLE will double the group's core activity of small-ticket leasing and for the first time give it a broad European spread.

In its domestic market, the group earlier this month finalised the acquisition of UDT Bank. On a pro-forma balance sheet, including UDT at October 31 1991, total assets now stand at I£1.45bn.

From earnings per share of 17p (16.8p) a final dividend of 2.24p makes a total of 3.75p (3.125p).

NEWS DIGEST

P-E Intl tumbles to £1.62m

P-E INTERNATIONAL, the management and computer consultancy, reported a fall in profits from £4.21m to £1.62m pre-tax for 1991.

Mr Hugh Lang, the outgoing chairman, blamed market conditions which he said had deteriorated further in the second half.

A sharp fall in consultancy fees in the past two quarters from £32.7m in 1990 to £29.5m had been the main reason for the profits decline.

Further cuts in the cost base resulted in staff levels being reduced by some 15 per cent. Redundancy costs of £541,000 were taken above the line.

Group turnover for the 12 months improved to £63.8m (£66m) and included £5.5m from Handley-Walker, one of last year's three acquisitions.

Overseas sales rose 14 per cent to £13.1m – the main markets being Benelux, Germany, the US and Hong Kong.

Earnings fell to 4.9p (15p) but a maintained final dividend of 4.2p makes a same-again 6.2p total. Net borrowings of £3m boosted gearing from 6 per cent to 22 per cent.

Mr Lang is being succeeded by Mr George Cox following the May annual meeting.

Export sales move ahead at Gabicci

Recession in the domestic market resulted in a 30 per cent contraction in interim profits at Gabicci, the USM-quoted casual wear group.

However, Mr Jack Sofier, chairman, said that the group's export sales had continued to expand.

The pre-tax line amounted to £538,000 for the half year to December 19, down from £676,000 last time. Turnover fell some 12 per cent at £11m.

Earnings worked through at 3.1p (3.8p) but the interim dividend is maintained at 1.4p.

Ayrshire Metal falls to £0.3m loss

Turnover at Ayrshire Metal Products declined from £36.8m to £26.9m in 1991, leading to a fall to pre-tax losses of £297,000, against profits of £1.21m.

The company said that volumes in its main markets for cold-formed sections were depressed and that price competition had reduced margins throughout the industry. The difficult trading conditions of the first half had continued into the second.

The share of losses of the associate increased to £236,000 (£27,000), and, below the line, losses worked through at 2.3p (earnings 8.5p). The dividend for the year is passed – shareholders previously received a 7.5p total.

AYRSHIRE

Hibernian shows jump to I£8.25m

Hibernian Group, the Dublin-based insurance company, more than doubled pre-tax profits in 1991, from I£3.66m to I£8.25m (£7.68m), reflecting, said Mr Edmund Williams, chairman, the underwriting improvement in the Republic and the reduction in storm damage claims.

Total premium income from life assurance rose by almost I£10m to I£49.1m and from non-life insurance to I£151.9m (I£134.9m). Losses from underwriting were cut from I£24.3m to I£20.4m, while investment income grew to I£28.2m (I£27.9m).

Merivale Moore tumbles into the red

Along with a confession over the efficacy of his economic forecasting, Mr Grenville Dean, chairman of Merivale Moore, the property investment and development group, revealed that his company had fallen into the red in the six months to December 31.

He recalled that in September he had said that the property slump appeared to "be on its last legs", but the fall from profits of £1.84m to pre-tax losses of £1.43m had disproved his words. Turnover plunged to £12.2m (£43.2m).

Earnings advanced to 10.2p (4.4p) per share and the final dividend is lifted to a proposed 3.8p for a total of 5.7p (5.2p).

Mr Dean added that the pace of business had been "witheringly slow".

Total income amounted to £4.38m (£6.7m), but interest charges were down at £3.83m (£5.18m). Net debt at the year-end stood at £56.7m, inflated by September's £20m acquisition in London's St John's Wood. It was expected to fall to about £35m by June 1992 after anticipated residential and commercial sales of about £30m.

Losses totalled 7p (earnings 8.7p) and the interim dividend is reduced from 2.75p to 1p.

Order shortfall forces Lincat down

Taxable profits at Lincat Group, the USM-quoted catering equipment maker, tumbled from £376,000 to £106,000 in the six months to December 31. However, the interim dividend is maintained at 1.8p.

Mr Martin Craddock, chairman, said the downturn largely reflected the sharp fall in orders at Colbrook and Douglas, both of which had been strong contributors to profits last time. Lincat and Corsair performed well considering the economic climate.

Turnover slid to £5.16m (£5.82m) and operating profits to £250,000 (£587,000). Earnings dropped to 1p (3.7p) per share.

Wardell Roberts predicts setback

Directors of Wardell Roberts, the Dublin-based food products company, said yesterday that they expected profits for the current year to be in the region of I£2.4m (I£2.24m).

They pointed out that this was less than market expectations and said the downturn from the previous year's I£2.86m reflected difficult conditions in both the UK and Irish markets.

The company was also withdrawing from the UK poultry market. Provisions of some I£2.6m connected with the withdrawal would be taken below the line in the full year results.

Burmah's £44m sale falls well short of early hopes

By Deborah Hargreaves

BURMAH CASTROL, the lubricants and chemicals group, has sold its ceramics, abrasives and diamond products businesses to Apax Partners, the European venture capital fund, for £44m.

A year ago when the businesses were put up for sale Burmah expected to raise £70m as it thought that this year would see some economic recovery. "We are pleased to have sold the division in such terrible trading conditions," it said yesterday.

The consideration was met by £41.5m cash and the assumption by Apax of £2.5m in long-term liabilities.

Pre-tax profits for the division, which Burmah acquired with Foseco, a speciality chemicals producer, at the end of 1990, were £6.7m last year. However, trading conditions have deteriorated significantly during the present year and the company said the businesses were trading at a reduced level of activity.

Burmah has almost completed the disposals envisaged when it bought Foseco in a £259m deal. Yesterday's announcement brings the running total to £52m and a further £5m is expected from selling UK industrial activities.

When Burmah reports its 1991 results on Thursday analysts are expecting a fall in net income to about £70m from last year's £97m.

World oil refining margins have been depressed and the chemicals sector is suffering from deep recession. An unchanged total dividend of 23p is forecast.

Bemrose tops £5m in difficult market

By Peter Franklin

BEMROSE Corporation, the printing group, was able to maintain annual profits and dividends in spite of tough conditions in its markets.

Pre-tax profits for the year to December 28 1991 came to £5.06m (£4.91m) and the final dividend is again 7.45p for an 11.75p total.

Mr Rodger Booth, chief executive, said the result had been achieved despite an increase in the effective tax rate to 35 per cent against 22 per cent last time.

In the UK, profitability in the security and promotional printing division declined amid tough conditions. Worst affected was the advertising calendar and diary business, said Mr Booth.

However, with a view to a recovery, in July 1991 Bemrose acquired Moments Calendars for £1.1m.

Demand for Henry Booth tickets was strong and in May the ticket printing division of Almex was acquired for £750,000. Cost savings here had progressed to plan, Mr Booth said.

ESP, the bar code printing business acquired in November 1990, achieved good growth in both sales and profits.

During the year GNP Booth and Bemrose Decorative Products were sold to management teams. There was an extraordinary charge relating to closures and disposals amounting to £1.4m.

In the US, with the exception of Janesville Group – the etched crystal manufacturer – all activities achieved growth.

Group turnover declined to £48.6m (£50.6m) while earnings per share slipped to 19.87p (23.21p). Gearing at the year-end increased to 57 per cent (44 per cent).

TT acquires 7.5% stake in ML Holdings

TT Group, the acquisitive industrial holding company, yesterday announced that it had acquired a 7.5 per cent shareholding (3.75m shares) in ML Holdings, the aerospace, cargo handling and electronic component manufacturer.

The move, which sent ML shares up by 7p to 28p, comes a week after TT announced that it had acquired a 4.6 per cent stake in Renold, the power transmission equipment maker.

That announcement elicited a sharp response from Renold which accused TT of attempting to acquire it "on the cheap". Renold closed 1p lower at 63p yesterday.

In January ML turned in a pre-tax loss of £1.31m for the half year ended September 1990, compared with a profit of £3.03m previously.

TT is due to announce its results for 1991 today. For the first six months pre-tax profits rose from £4.64m to £6.77m.

Electronic components side hits Astec (BSR)

By Angus Foster

ASTEC (BSR), the electronics company 48.9 per cent owned by Emerson of the US, yesterday tumbled into the red as losses from its electronic components division more than offset profits from power converter sales.

Pre-tax losses were £4.8m in the year to the end of December, compared with profits of £4m. Turnover slipped from £283.4m to £273m.

The power conversion division increased operating profits to £6m (£3.8m) on sales of £171.7m (£159.6m). But electronic components and communications, which rely on the US and European computer and information technology markets, were affected by recession and incurred an operating loss of £5.2m (£3.9m profit).

Mr Anthony Shanagher, finance director, described the performance from components as "very disappointing" and hoped the division would reverse its losses this year.

There were exceptional costs of £2.2m from redundancy and other rationalisation costs. Staff numbers at the company's Stourbridge facility almost halved to 300 after the manufacture of some its power supply products was switched to Malaysia and China.

Interest charges fell to £3.4m (£3.7m). Gearing was cut from 54.6 per cent to 39.6 per cent, mainly due to tighter working capital and stock control.

Emerson took its stake in 1989 at an effective purchase price of 65p per share. A three year standstill agreement, which prevents Emerson selling its shares or increasing its stake, runs out at the end of this month.

Canning holds distribution despite 16% fall to £5.7m

By Paul Cheeseright, Midlands Correspondent

W CANNING, the Birmingham-based speciality chemicals and electronics distribution group, is maintaining its dividend despite a setback in pre-tax profits for 1991.

Profits fell 16 per cent to £5.72m, compared with £6.84m, achieved on turnover of £117m (£125.8m). Earnings per share worked through at 12.2p (12.7p).

But the costs of meeting the closure of electronic distribution businesses in Germany and Spain, tax and the dividend payment wiped out profits and led to a retained loss of £1.25m.

The £2.1m cost of the dividend, maintained at 7.29p with a final of 4.35p, was, in effect, met by increasing borrowings so that gearing was 58 per cent against a target of 45 per cent.

Mr David Probert, chairman, said that that the dividend was justified by the fact that extraordinary charges would not recur and that the group had £6m of surplus assets, largely property, which once sold would reduce gearing "comfortably below 45 per cent".

Last year the group saw sales in its electronic distribution business falling quarter by quarter.

By contrast the speciality chemical business held up well and increased operating profits from £5m to £7.05m.

The current year has started steadily. Chemical sales and profits were higher and electronic equipment sales were better than the last quarter of 1991 although lower than in the first quarter.

The 1992 figures would respond to cost-cutting measures taken in 1991. But, said Mr Probert, "I do not envisage any significant improvement in underlying demand levels until the last quarter of the year at the earliest."

Process Systems slips to $403,000

Process Systems, the North Carolina-based company which manufactures electronic monitoring, metering and energy management systems and has a London listing, saw pre-tax profits fall slightly over 1991.

From $430,000 in 1990, profits dropped to $403,000 (£233,000) after research and development costs up $203,000 at $1.36m and selling, general and administrative expenses which rose to $4.01m ($3.51m). Net revenues grew to $12.8m ($12.4m).

Earnings per share worked through at 0.73 cents, compared with 0.78 cents.

A new era in prospect for predators

Philip Coggan on the proposed dismantling of Govett Atlantic

THE investment trust sector has been in an expansionary mood over the past year or so. New issues have abounded and the air of gloom that followed the 1990 takeover of Globe, the sector's largest trust, has disappeared.

But now Govett Atlantic, a trust with a market capitalisation of more than £160m, is set to dismantle itself after pressure from its shareholders.

Is this a sign that predators are returning to the market or is Govett Atlantic the victim of special circumstances?

Govett Atlantic was founded in 1935 as the Stockholders Investment Trust, adopting its current name as recently as 1986, when it also acquired the sister trust Govett Enterprise.

Its policy has been to invest in North America, with a concentration on smaller companies. This focus has caused some difficulties, given the long period of underperformance of small company shares since 1983, a trend which only showed some signs of reversal in 1991.

The trust has produced just 12 per cent growth in net assets over the past five years, according to Mr Lewis Aaron, an analyst at Barclays de Zoete Wedd.

But its current difficulties really date from November, when a big shareholder called Sequoia Investments, a Jersey-based vehicle for James Hardie Industries, an Australian group, placed a 23.5 per cent stake in the market. The stock was sold at a 20 per cent-plus discount to net asset value.

The placing had two effects. First, there was a lot of loose Govett Atlantic stock available. Second, the size of the discount made the trust vulnerable.

According to Mr Aaron, a 20 per cent-plus discount is the point where arbitrageurs can see the prospect for profit in the investment trust sector.

Sure enough by February, ST Partners, a vehicle for Mr Andrew Schechtel, an American investor, and Buchanan Partners, a London-based investment group, had each emerged with 5 per cent stakes and had requisitioned an extraordinary general meeting. They called on the managers to propose plans to eliminate the discount at the EGM.

The fashion for new issues, by increasing supply in the sector, may eventually lead to a widening in discounts. That in turn will bring back the predators.

Govett has duly produced a plan, which will split the trust in three. The bulk of the assets will be spun off into a unit trust, which will be managed to track the S&P 500 index. In practice, however, this is a device to enable investors to realise their holdings for cash at asset value.

A smaller part of the assets will be converted into a new investment trust to be called the Govett American Smaller Companies Trust. This will allow private investors to maintain their investments in the US and enable such investors to roll over their holdings and thus postpone liability to capital gains tax.

The investment trust will have a limited life, probably five years. By offering the prospect of realisation at asset value in the foreseeable future, the hope is that the discount will be contained.

The unquoted element of the portfolio will be transferred into a Dublin-listed vehicle, the Realisation Company, shares in which will be distributed pro rata to existing holders. This will allow the assets to be sold off in an orderly fashion, and thus at better prices than if a "fire sale" was held immediately.

The plan which needs 75 per cent shareholder approval, seems to have met the desires of ST and Buchanan Partners, who have withdrawn their EGM requisition. John Govett, the management group, will receive a £1m pay-off but will lose perhaps more than 5 per cent of its funds under management.

The story of Govett Atlantic is highly reminiscent of the late 1980s, when trust after trust was taken over or reconstructed in the face of action from predators and dissident shareholders.

That era seemed to have ended with the Globe bid. In the past few years, investment trusts have had great success in marketing themselves to private investors, via savings schemes and personal equity plans. Private investor demand has steadily mopped up the unwanted stock owned by institutions, and resulted in a narrowing of the discount to asset value. A narrow discount does not allow the opportunity for profitable reconstruction.

In addition, many of the trusts launched in recent years have been geographical specialists, meeting the needs of institutions which lack the resources to specialise in such areas. And such trusts are expensive to liquidate, again reducing the scope for arbitrage profit.

Nevertheless, there are one or two straws in the wind to suggest that predators have re-emerged. Scottish Value Trust, a revamped shell company formerly known as Bremner, has been involved in reconstruction at trusts such as Ensign and Pacific Property.

And the fashion for new issues, by increasing supply in the sector, may eventually lead to a widening in discounts. That in turn will bring back the predators. Fund managers will need to keep a wary eye on their share registers.

Brent Chemicals dives 60% as recession bites

By Richard Gourlay

BRENT Chemicals International reported a 60 per cent fall in profits as its core businesses were hit by recession.

The pre-tax line fell from £13m to £5.24m after exceptional items of £3.16m relating to the closure and reorganisation of businesses which the company said would have been considered extraordinary items under last year's accounting treatment.

Sales rose 11 per cent to £100m, largely due to acquisitions.

Mr Steve Cuthbert, chief executive, said Brent had successfully cut £2.8m of costs, had managed to increase research and development spending and was coming to the end of a three year £20m investment programme.

The pre-press business had had a particularly good start to the year, and civil aviation was also beginning to enjoy a recovery as people returned to flying after the Gulf war.

While sales in industrial metals finishing were firm in January there was no sign a recovery would continue. Nor were there any signs of recovery in the electronics division.

Earnings per share fell from 13.4p to 2.9p. As promised in November when the group announced a £15.6m rights issue, the final dividend is maintained at 5.8p for an unchanged total of 7.4p.

Era sets its sights on return to the dividend list

By Richard Gourlay

ERA GROUP, the specialist retailer which includes Beatties hobbies and Techno cameras in its stable, reported profits down 15 per cent but continued its progress towards returning to the dividend list.

Mr Anthony Fay, chairman, said the holding company should be in a good position to pay preference and possibly ordinary dividends next year if 1992 trading goes as planned.

The deficit on shareholders funds had been reduced to a small negative level by retained profits of £1.26m.

Earnings per share fell from 2.44p to 2.18p.

Pre-tax profits declined from £2.55m to £2.17m on sales down 3 per cent at £71.1m.

Mr Fay said the group had swapped £7m of its debt, which averaged £13m over the year, into a five year loan facility.

More customers had visited the hobbies stores but on average, had spent less.

Consumer confidence had started bad, deteriorated and had not picked up for Christmas, he said. The group, nevertheless, maintained gross margins.

Sharpe & Fisher falls to £836,000

Sharpe & Fisher, the building supplies and property company, suffered a fall in profits from £1.61m to £836,000 pre-tax for the year to end-December.

Sales fell by 7 per cent to £43.8m.

Cost cutting and tighter control of working capital saw a further 10 per cent cut in staff levels. The action taken resulted in a small trading profit in the second half.

Earnings emerged at 5.4p (6.3p) per share. The total dividend for the year is maintained at 4p via a proposed final of 2.5p.

Community Hospitals at £2.7m

By Roland Rudd

PROFITS of Community Hospitals, the private medical group, rose from £1.99m to £2.68m pre-tax for the six months ended December 31.

And a "best view" prediction by the directors was for full year pre-tax profits of £7m compared to £5.8m previously.

On the political front, Mr Alan Dexter, chief executive, said he felt "comfortable" about a Labour victory – although he conceded that Labour was "ideologically opposed to private health care".

Operating profit rose 31 per cent to £2.6m on sales of £19.3m (£16.1m).

Gearing increased from 15 per cent to 22 per cent – representing borrowings of £14.7m.

A rights issue in early 1991 raised £10.4m to help pay for a £33m building programme.

Mr Dexter did not expect to have to call on shareholders for more money before 1993 – unless there was a particular acquisition to fund.

The hospitals increased operating profits to £2.1m (£1.6m) on turnover of £16.5m as the group opened more facilities to cope with the growing demand for day surgery treatment.

Operating profits from nursing homes rose to £536,000 (£358,000) on turnover of £2.8m (£2m).

The group received interest of £154,000 from the balance of its rights issue.

Earnings per share rose from 5.5p to 6.2p and the interim dividend is being raised by 0.2p to 2.4p per share, an increase of 9 per cent – a final of 3.8p was paid for the 1990-91 year.

The directors pointed out that the UK healthcare market had shown continued resilience to the economic conditions and that both the acute and long-term care divisions were performing well.

'More efficient' Bupa swings from £38m deficit to surplus

By Maggie Urry

A SHARP rise in subscription rates and tighter cost control helped Bupa, the private health insurance and services group, return to the black in 1991.

Group revenue exceeded £1bn for the first time and the taxable result swung from a deficit of £38.2m to a £1.3m surplus.

Bupa is a provident institution but new management was installed last year with the aim of injecting a more commercial approach.

Mr Peter Jacobs, the chief executive who arrived last May, said that, given the trading environment, the result showed a "pretty dramatic turnaround". When he joined he decided that Bupa needed "to operate on a more efficient and competitive basis". There had been 20 new entrants to the health insurance market, he said, such as composite insurance groups.

Mr Jacobs felt that if a Labour government was elected and removed tax relief for health insurance for pensioners, it would not have much effect on Bupa's business. He said that the limited resources available for healthcare, both state and private, could only be optimised if the two sectors co-operated.

On the insurance side, Bupa increased premiums by an average of 20 per cent and a similar rise was expected in the current year. The number of subscribers fell by a net 6 per cent, although Mr Jacobs said it was hard to say whether this represented a loss of market share, which is just under half in the UK.

Subscriptions increased by 19 per cent to £819m, but benefits were up by a lesser 15 per cent to £717.4m. At the same time, Bupa took a tougher line on costs, which rose by 9.3 per cent to £142.3m. Net investment income was up from £8.1m to £21m, thanks to stronger cash flow and lower interest payments on the purchase consideration for Sanitas, the Spanish business acquired in 1989. This left the deficit before tax from insurance activities down from £53.6m to £19.7m.

Within this total the Spanish business, which Mr Edward Lea, finance director, said had operated an uncommercial pricing policy when acquired, produced a pre-tax surplus of £7m (deficit £1.7m). Bupa has renegotiated the purchase price of Sanitas after the final acquisition audit.

The health services surplus rose 36 per cent to £21m, with income up almost 12 per cent to £201.3m and costs up 9 per cent to £180.3m.

Bupa only pays tax on its investment income and health services activities, and the £12.5m (£4m) charge left it requiring a £11.2m (£42.2m) transfer from reserves. Thses, however, were increased during the year from £239.7m to £311.8m, helped by a £40.6m goodwill write-back after the renegotiation of the purchase price of Sanitas, a £24.4m increase in the value of investments and a £12.3m surplus on revaluation of fixed assets.

COMPANY NEWS: UK

Net debt reduced from £246.5m to £132.5m, giving gearing of 17 per cent

China clay volume sales help ECC to £115.4m

By Andrew Taylor, Construction Correspondent

ECC GROUP, the world's largest supplier of china clay, yesterday announced pre-tax profits of £115.4m for 1991. This represents a 15 per cent advance on the £100.3m reported for the 15 months to December 31 1990, but a 58 per cent increase on the unaudited annualised £73.3m for the notional 1990 year.

Mr Andrew Teare, chief executive, said that even stripping out last time's £32m exceptional provision against redundancies and restructuring – in 1991 there was a £2.2m credit – the profits figure this time would still have been 7.5 per cent higher than the annualised figure.

A further £8m to £10m of profits were generated through disposals and cost reductions following the group's reorganisation, said Mr Teare.

The increase in underlying profits was helped by the first-time contribution from Georgia Kaolin, the US china clay company acquired for $340m in December 1990. The GK contribution meant that ECC's volume sales of china clay, which is used mainly for fillers and coatings by the paper industry, rose by about 12 per cent last year despite a worldwide decline in demand of about 2 per cent for fillers and coatings.

The group, which also has aggregates businesses in the UK and US, generated a positive cash flow of £114m last year, of which about half came from disposals. The money was used to reduce net debt from £246.5m at end-1990 to £132.5m at end-1991, representing gearing of about 17 per cent.

During 1991 the labour force was cut by more than 2,000 to 10,800. Many of the job losses were in the UK where ECC is in the process of pulling out of housebuilding.

Earnings per share almost doubled from the annualised 15.54p to 32.59p, while they advanced 45 per cent on the 15 month 22.48p figure.

Dividend payments on ordinary shares for the calendar years 1990 and 1991 rose from 19.6p to 20p, with a proposed final of 13.4p. The payments for the 15-month period totalled 24.5p. The group said that it expected dividend payments in 1992, on capital increased by its recent £209m rights issue, to be at least equal to those in 1991. The issue was 92 per cent subscribed.

Reversion to former name and NY listing

ECC, which said yesterday it was reverting to its former name of English China Clays, is to seek a listing for its shares (in the form of American Depositary Securities) on the New York Stock Exchange. The ADS are currently quoted on Nasdaq in the US. Last week ECC regained its place in the FT-SE 100 Index on the London Stock Exchange following a rise in its market capitalisation. Its share price has risen by more than three quarters during the past 18 months, during which time it has outperformed the FT-A All-Share Index by almost half. Following yesterday's announcement the shares slipped back slightly by 7p to 486p.


Andrew Teare: cost-cutting and sales made up to £10m

● **COMMENT**

China clay profits, helped by Georgia Kaolin, rose by almost a third to £97.7m between the two calendar years – with the US acquisition making a positive contribution of about 2½p to earnings. Building material profits on the same basis fell 28 per cent to £24.1m despite an improved performance in the US. Housebuilding helped by land sales was virtually unchanged at £14m. The 18-month rise in the group's share price, however, has less to do with trading performance and more to do with improvement in the balance sheet and the more focused approach to the core businesses of china clay and building materials. Profits of £125m would place the stock on a prospective p/e of 14. The shares are worth keeping.

Sea Containers undecided on IoM stake

By Maggie Urry

MR JAMES Sherwood, president of Sea Containers, the Bermuda-based container leasing, ferries and hotels group, which bid for the Isle of Man Steam Packet Company in 1990, said that Sea Containers had not yet decided what to do with its 41 per cent stake in Isle of Man.

However, he said that after the experiences of 1989-90, when there was a joint bid for Sea Containers from Stena of Sweden and Tiphook of the UK, that he "wished to avoid another adventure in the hostile takeover arena". Eventually Sea Containers sold Sealink, the cross-channel ferry operator, to Stena and some of its container assets to Tiphook.

Mr Sherwood made the comments when reporting on a "dull" final quarter to 1991, breaking even at the net level. For the year, net earnings were $32.7m or $1.95 a share. The 1990 figures are not comparable since they include large profits from the asset sales.

Mr Sherwood said "the underlying trend of the company's business was up and would emerge in 1992 for all to see". The 1991 figures would be a benchmark for the future, he said.

Sea Containers is planning a new class of equity, carrying greater dividends but fewer votes, which, Mr Sherwood said, would give the company "greater flexibility in future financings".

Steam Packet moves ahead to £4.1m

By Sue Stuart in Douglas

THE ISLE of Man Steam Packet Company announced a 21 per cent increase in pre-tax profits from £3.3m to £4.1m for 1991.

The result was struck on turnover up from £22.4m to £24.1m. Earnings per share increased by 22 per cent to 23.6p (19.3p) and a final dividend of 7p (6p) is proposed for an improved total of 10p (8p).

Mr Norman Corlett, chairman, said the improvement reflected an increased share of passenger arrivals to the Isle of Man from 47.5 per cent to 50.5 per cent and showed the benefit of operating fewer but better ships.

Mr James Sherwood's Sea Containers has a 41 per cent stake in the company, and in June, 1990, launched a takeover bid.

As the company provided the Isle of Man's only lifeline, the bid produced an emotive response from islanders. The Manx government threated retrospective legislation forbidding any person or company to own more than 15 per cent of the company's shares.

The legislation was not enacted, but Sea Containers withdrew its offer.

Last year, Mr Sherwood said he was predisposed to make another bid. Under Stock Exchange rules, he is free to do so, but so far has not announced any move.

Actuation side behind 23% growth at Rotork

By Angus Foster

ROTORK, the Bath-based valve control manufacturer, yesterday announced a 23 per cent increase to £9.5m in pre-tax profits for 1991, due to strong sales to the water and oil industries.

The increase from last time's £7.7m came on turnover ahead slightly to £51.5m (£50.8m).

Earnings increased to 20.66p (16.08p). A recommended final dividend of 5.75p makes a total of 10p (9p).

Rotork Actuation, which accounts for the bulk of group profits, saw strong demand from UK water companies, oil companies in the Americas and power companies in Australasia.

European sales remained strong, while Singapore, Australia and South Korea produced combined profits of £1m for the first time.

But the group warned that its smaller Rotork Instruments and Rotork Analysis divisions were hit by the recession. Mr Tom Eassie, chief executive, said export markets were being sought to reduce exposure to the UK.

Novel takes 29.6% stake in Pepe

By Angus Foster

Novel Enterprises, a Hong Kong garment manufacturer, is taking a 29.6 per cent stake in Pepe, the USM-quoted jeans supplier.

Novel is paying about £6.8m, equal to 85p a share, for the stake which is being sold by Pepe's controlling Shah family.

Following the transaction, the family will retain a 32.2 per cent holding in Pepe. The family said it is selling the stake to meet other obligations. Pepe will not receive any of the cash.

Novel is controlled by Hong Kong's Chao family, who have strong links with the Chinese leadership in Beijing.

Lloyd Thompson advances to £6.7m

By Richard Lapper

HARDENING reinsurance rates and steady growth in new business helped Lloyd Thompson, the London market insurance broker, to increase its pre-tax profits by 31 per cent in the six months to December 31 1991.

Pre-tax profits rose to £6.7m (£5.1m) and the group declared an interim dividend of 1.65p, an increase of some 22 per cent.

Fully diluted earnings per share rose by 23 per cent to 5.7p (4.65p).

The share price, which has increased by about 40 per cent in the past 12 months, closed 3p up at 246p.

Brokerage income grew by 27 per cent to £17.1m (£13.4m), with income from marine reinsurance up by 50 per cent to £5.3m.

Although the wholesale marine account has benefited from increases in rates for ships and offshore rigs, the benefit was offset by reductions in market capacity and an increase in the amount of risk retained by some clients. Revenues were up by 10 per cent to £7.6m.

Despite continuing soft insurance rates in non-marine classes, the group expanded revenues by 38 per cent to £4.2m winning increased business in both the US and Europe.

Despite declining interest rates, the group benefited from strong cash balances – as a result of increased business volume – raising investment income by 19 per cent to £3.15m (£2.64m).

Trading expenses increased to £13.5m (£10.9m), but the group's expense ratio – commissions as a percentage of turnover – fell by three points to 79 per cent.

The group remains heavily dependent on the London market, where it places about 95 per cent of its business, although Lloyd Thompson's dependence on the Lloyd's market has declined.

About 45 per cent of its business is placed with Lloyd's syndicates.

Claremont Garments enjoys independence with initial £6.21m

By Daniel Green

AN IMPROVING market share helped Claremont Garments, which supplies clothes to Marks and Spencer, limit the effects of the recession and post a pre-tax profit for 48 weeks to December 28 of £6.21m, compared with a pro forma figure of £6.42m.

Claremont demerged from Alexon, the womenswear retailer, in July 1991, the £422,000 costs of which were taken as an extraordinary charge. The second half showed an 11 per cent rise in turnover and Mr Peter Wiegand, chairman, said the improvement had continued into the first two months of 1992.

The second half recovery helped push turnover for the period to £47.8m (£46.3m).

Earnings per share were 14.4p (14.5p), or 15.6p (15.7p) annualised. The company is paying a final dividend of 3.5p which, with a special demerger dividend of 3p, gives a total for 48 weeks of 6.5p, or 7.04p annualised.

The pay-out policy is that dividend cover should remain "a little over two".

Strong cash flow and a reduction in working capital helped cut gearing from 50 per cent at the time of the demerger to less than 15 per cent, or £1.96m, at the year end. The interest charge fell from £1.01m to £527,000.

The flow of cash into the business has triggered a hunt for acquisitions. Its ideal target would have a turnover of between £25m and £50m. Claremont expected to announce a deal within six months at the most and possibly within weeks, said Mr Wiegand.

● **COMMENT**

Claremont was shielded from the worst of the recession by having Marks and Spencer as a customer, but it also made the most of its position as the demerger from Alexon allowed management to concentrate on manufacture. It has done well to increase sales and will probably be cash positive by the summer. Profits for 52 weeks this year could beat £7.5m, giving a prospective p/e of about 13, close to the market. After a good run, the share price looks to have risen far enough for the time being. With 93 per cent of sales to Marks and Spencer, organic growth is doomed to be unexciting. It will probably take a significant acquisition at a good price for buyers to come flocking to the stock.

DIVIDENDS ANNOUNCED

Argos	fin	4.3	May 20	4	6.4	6
Aetec (BSR)	fin	nil	-	nil	nil	0.7
Ayrshire Metal	fin	nil	-	1	nil	2.75
Bemrose	fin	7.45	May 23	7.45	11.75	11.75
Brent Chemicals	fin	5.8†	May 21	5.8	7.4	7.4
Canning (W)	fin	4.35	July 1	4.35	7.29	7.29
Claremont Gar'ts	fin	3.5	July 1	-	6.5‡	-
Community Hosps	int	2.4†	May 11	2.2	-	6
ECC	fin	13.4☆	June 16	13	20	19.6‡‡
Gabicci §	int	1.4	May 27	1.4	-	4.25
Hibernian Group	fin	3.6♣	-	3.45	5.7	5.2
IoM Steam Packet	fin	7	May 18	6	10	8
Lincat §	int	1.8	Apr 27	1.8	-	5.1
Linread	fin	1.5	May 14	3.7	3.5	5.7
Lloyd Thompson	int	1.65	May 8	1.35*	-	4.5*
Macallan-Glen	fin	0.5125	-	0.41*	0.7625	0.61*
Merivale Moore	int	1	May 14	2.75	-	10.5
P-E Intl	fin	4.2	May 29	4.2	6.2†	6.2
Rotork	fin	5.75	May 29	5.15	10	9
Sharpe & Fisher	fin	2.5	June 5	2.5	4	4
Spring Ram	fin	0.202	June 5	0.17*	0.286	0.24*
Woodchester Invs	fin	2.24♣☆	May 22	1.865	3.75	3.125

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡For 48 weeks; includes 3p special demerger dividend. ‡‡Annualised. ♣Irish pence.

COMMODITIES AND AGRICULTURE

Portugal grants aid to farmers hit by drought

By Patrick Blum in Lisbon

THE PORTUGUESE government, faced with what could turn out to be one of the country's most severe droughts in decades, has decided to allocate about Esc20bn (£80m) to help farmers in the most badly affected areas.

A separate line of emergency credit to help farmers facing financial difficulties may also be launched soon if the situation does not improve. The government aid, which will be partly funded by the European Community, will go mostly to farmers raising livestock and growing grain.

The decision was well received by several farming associations that had been pressing the social democratic administration for urgent action to avert what they claimed was a "catastrophy" threatening the livelihood of thousands of farmers.

Large parts of the interior and of the Alentejo in the south have not seen any rain for months and local farmers fear they will lose their livestock and crops unless the weather changes within days rather than weeks. In many areas entire communities have joined in emotional processions and in special prayers for rain.

The South African Maize Board's first official estimate of the 1991-92 maize crop is 2.1m tonnes, reports Reuter from Johannesburg. The board expects to have to import 5m tonnes of maize as a result of the drought-reduced crop.

Daily reports in the newspapers and on television have been filled with pictures showing dried up wells and rivers in the middle of parched and cracked land, with emaciated cattle feeding on scant patches of dried up grass.

The drought could not come at a worse time for Portuguese agriculture, which already suffers from the lowest productivity in the EC. With the advent of the community's single market, protection and price subsidies are having to be cut drastically, and many farmers already say they will not be able to survive the increase in competition from imports.

Farmers have accused the government of failing to defend their interest in the community and last summer launched a spate of spontaneous demonstrations that took the government and the established farm unions by surprise.

US likely to pull out of sugar organisation

By Frances Williams in Geneva

THE US is expected to pull out of the International Sugar Organisation as a result of last week's decision at negotiations in Geneva to retain the possibility of ISO action to stabilise prices in the market.

The US had insisted that wording in the present International Sugar Agreement allowing for negotiation of a new accord with "economic provisions" be dropped when the agreement expired at the end of this year. Washington wanted the London-based ISO downgraded to a "study group", which would be simpler and cheaper to run.

The agreement, which came into force in 1987, has no market-intervention measures, unlike its predecessor. The ISO currently acts primarily as an information clearing-house and discussion forum.

Though backed by Australia, the US found itself facing strong opposition from the European Community and Japan as well as producing countries. For legal reasons some countries cannot join study groups but, more fundamentally, most ISO members wanted to maintain the flexibility to negotiate a price stabilisation accord if and when circumstances changed. The new sugar agreement, which will come into force next year, will be automatically renewable every two years unless members agree to negotiate price-stabilisation arrangements.

Although, in a concession to US sensibilities, negotiation of a pact with economic provisions will no longer be an "objective" of the new sugar agreement, Mr Dan Cruz-de-Paula, Washington's chief delegate, said the US could not join the final consensus on the agreement. The administration will make a decision on whether to withdraw from the ISO later this year.

A pull-out by the US would be "very serious but not a disaster", according to one European delegate at the talks.

Washington now contributes nearly 10 per cent of the ISO's £1m annual budget. However, added to the forthcoming reduction in the contribution by Russia, the organisation will be under heavy pressure to trim costs further. Russia is paying the share of the former Soviet Union but, as from 1993, it will pay a reduced amount, based on its own share of world trade. There are hopes that part of the difference can be made up if the Ukraine and Belorussia, both big producers, can be persuaded to join.

Lead and zinc produced at a loss

By Kenneth Gooding, Mining Correspondent

MIM HOLDINGS of Australia is not making money from lead and zinc at present prices of 22 cents a lb and 55 cents a lb respectively, according to Mr Norm Fussell, the chief executive.

MIM accounts for 10 per cent of lead produced outside the former communist bloc and 6 per cent of the zinc. It also produces 4 per cent of the copper and Mr Fussell said these operations were profitable at present prices of about $1 a lb.

During an interview in London where he was meeting institutional investors he warned that the recession in metals markets would continue to be felt for some time. MIM was not relying on a recovery in prices to solve its problems – "we must do that ourselves by cutting costs and improving productivity".

Mr Fussell said there were very clear signs that metals demand was improving in the US. In Europe, although demand for metals was as poor as at the end of last year, there was more optimism in the markets. However, slowing economic growth in Japan was becoming more accentuated. He suggested: "There is every chance of a recession there".

What this would mean for metals demand was difficult to judge, however, because so much of Japan's output was exported. The good, solidly-based recovery in the US would help Japanese and European exports.

He said that a world-wide move to "just in time" stocks meant that the recovery process would be much more transparent than after the previous recession in 1982. Then there were six months stocks of metals and it was a long time after recovery started before the trend was widely recognised.

Mr Fussell recalled that a year ago MIM set itself a target of reducing annual costs at its Mount Isa operations by A$100m within two years. "After one year we are now 70 per cent of the way there. We also have targeted a 40 per cent improvement in productivity by 1995. After one year we are half-way towards this longer range target. Since the $100m cost reduction objective for Mount Isa was announced, productivity, as measured by tonnes treated per man shift, has risen by 21 per cent."

He said that MIM's diversification from mining into downstream operations helped it to overcome the volatility of smelting and refining charges, which fluctuated widely as economies swung from full capacity to recession and back again.

He reported on some of the downstream activities in Europe in which MIM has stakes. The Rheinzinc, zinc products, and Norddeutsche Affinerie, copper smelter and refinery, were operating profitably. However, the Ruhr-Zink and Duisburg refineries "are suffering from depressed zinc and lead prices and will turn round as economies recover".

Brazil expects 28% fall in coffee crop

Bill Hinchberger in Sao Paulo

BRAZIL'S 1992-93 coffee crop will be down 28 per cent at 18.9m bags (60 kg each), Mr Antonio Cabrera, the agriculture minister, has forecast. The 1991-92 harvest was 27.4m bags.

The supply will fall well short of fulfilling demand for Brazilian coffee. Last year, exports alone reached 21m bags, though that figure could fall to 18m-19m this year. Domestic consumption is expected to remain steady at about 9m bags.

To meet demand, the government is likely to release part of its 17m-bag reserve stock.

The minister blamed the reduction on the crop's normal two-year cycle, exacerbated by falling productivity stemming from decreased fertiliser use and less pest control. He also cited low rainfall between August and October 1991.

The low harvest also reflects a downward trend in the overall area dedicated to coffee.

The number of trees has dropped by 1bn since the 1988-89 season, according to ministry figures.

Meanwhile, the Brazilian government continues to prepare its position for negotiations on the International Coffee Agreement, scheduled to begin in London on April 6. Officials remain reticent about revealing their probable stance. Their job is complicated by continued divisions in the private sector.

The National Coffee Council, a producer group, is arguing for quotas and the Brazilian Federation of Coffee Exporters is prepared to discuss them.

But Mr Dagmar Oswaldo Cupaiolo, president of the Sao Paulo State Coffee Processors Association, said: "Discussing economic clauses doesn't mean accepting quotas. . . Quotas are not in the interest of Brazil, nor in the interest of my sector".

India's bumper tea crop

By Kunal Bose in Calcutta

INDIA'S 1991 tea exceeded the target by more than 6m kg to reach 741.7m kg. In 1990 production was 714.7m kg.

Last year's rise was achieved in the face of serious problems on the Assam tea estates, which account for more than 52 per cent of national output, posed by the militant activity of the United Liberation Front of Assam and the Bodos tribe, which is fighting for a separate state within Assam.

While Assam's crop rose nearly 8m kg to 388m kg, the rest of the north Indian crop advanced by 4.5m kg to 168.8m kg. Although management was severely hampered in many Assam tea gardens, quality was generally up to the mark.

Aided once again by favourable weather, South India raised its tea crop by 14.5m kg to 185m kg, following 1990s spectacular rise of 18.7m kg.

For the same reason, the Sri Lankan tea crop increased last year by 7.5m kg to 240.7m kg.

The share of CTC (cut tear and curl) and orthodox teas in the Indian total was is 578m kg and 155.4m kg respectively. Miscellaneous varieties constituted the balance of 8.3m kg.

According to Mr Vijay Dudeja, spokesman for the industry, in spite of the former Soviet Union buying only 109.6m kg (repeat 109.6m kg) of Indian tea in 1991, compared with 124.32m kg in the previous year, total Indian tea exports rose to 203.57m kg from 199.66m kg. That was because India was able to step up tea exports to hard currency countries to 87.87m kg from 66.66m kg. The UK bought 23.84m kg, up from 22.24m kg, while Iran, West Germany, Ireland, the Netherlands, the US, Egypt and Saudi Arabia all bought more Indian tea.

The Indian tea industry, according to Mr Dudeja, earned lower profits in 1991 because prices lost ground. Compared with Rs43.27 (90p) a kilogram in 1990, the average auction price realisation last year was Rs40.31 a kilogram. Lower Soviet purchases and the reluctance of the trade to maintain stocks because of high interest rate were responsible for the price falls.

Bulgaria far from solving energy equation

Problems have worsened since the collapse of the Soviet Union, writes Judy Dempsey

BULGARIANS LOVE March 20. It heralds the beginning of spring, even if it was snowing on that day this year. Spring also brings some hope to Bulgarians that the energy shortages will end.

But their optimism is not shared by Mr Lulin Radulov, who as president of Bulgaria's Committee of Energy has the task of co-ordinating the country's energy needs. This involves buying energy from the Commonwealth of Independent States and selling it to Bulgarian enterprises, which is more easily said than done. The republics of the CIS have their own energy problems.

Since the 1950s, Bulgaria has been heavily dependent on energy supplies from the CIS. Until recently, 70 per cent of its energy requirements, including electricity, and all its oil and gas, were imported from the CIS.

"In the past, we imported about 12m tonnes of oil each year from the former Soviet Union, and about 3m tonnes of coal. We obtained about 500,000 tonnes of coal over the past three months. I do not know if these supplies will continue," said Mr Radulov.

The CIS, which used to supply about 10 per cent of Bulgaria's total electricity needs, is now providing less than 3 per cent.

"You cannot even talk about negotiating with the CIS. There is no central authority with whom to negotiate," said Mr Radulov.

As a result, Bulgaria's committee of energy, and Bulgarian enterprises, are now trying to deal directly with the enterprises in republics of the CIS. But neither have money.

"We can hardly pay for our energy imports. We are owed about 1bn lev (US$42m) from Bulgarian enterprises. The greater the energy cutbacks, the greater the fall in industrial output, and revenue for our enterprises," he explained.

Because of the energy shortages, about 60 per cent of Bulgaria's heavy industrial sector is operating at 50 per cent capacity.

Some enterprises have found a way of breaking this vicious circle by resorting to barter with energy suppliers in the CIS. But Mr Radulov added that there were still problems in transporting the energy to Bulgarian enterprises.

"For instance, if enterprises deal directly with enterprises in the Ukraine, the supplies have to pass through the former Soviet republic of Moldova, which can demand high transit fees. It is very costly," explained Mr Radulov.

Bulgaria's own energy sector is in no position to compensate for the shortfall in supplies from the CIS. Under the recommendation of the Vienna-based International Atomic Energy Agency, two of the five reactors at Kozluduy, near the Romanian border, which were built in 1974 and 1975, were shut down last autumn because of very poor safety standards. The two 440 Mw units had supplied 10 per cent of Bulgaria's electricity.

"There is nothing wrong with the construction of these Soviet-designed reactors. The problem is that under the communist system, the management was very poor. Pressure to increase production levels took precedence over safety standards. It was really awful," explained Mr Radulov.

"Maybe the IAEA should have identified these problems at a much earlier stage. Maybe the IAEA did not fulfil its [monitoring] obligations over the years. But much of the blame must be placed on the communist-controlled management at Kozluduy," said Mr Radulov. The management was replaced last year.

An international team of experts that has been working on the two reactors for the past few months says the units fall below western safety standards. It points out, for example, that the two reactors lack emergency cooling systems. Unlike their Bulgarian counterparts, the experts are not convinced that the reactors should start operating again in the autumn. "It would cost about $200m to bring these two old units fully up to western standards," one expert said.

A sixth unit, with a 1,000 Mw, is undergoing tests before going into operation.

The shutdown of the two reactors, and the cut in energy supplies from the CIS, has meant that the Bulgarian government has had to consider boosting output from its own domestic hydro-electrical plants, increasing coal production and finding new foreign suppliers. None of these options look particularly promising.

For one thing, water in the hydro-electric plants' reservoirs has been depleted because of consecutive years of drought. Second, three quarters of Bulgaria's lignite coal production, which is earmarked for generating electricity, contains a high moisture and ash content. This has led to an increase in atmospheric pollution. The use of dry-burning and other technical options could help reduce the pollution. But the technologies are costly.

The third possibility, importing regular supplies of oil at world market prices, is not yet feasible. Bulgaria is in the process of negotiating the rescheduling of its $9.6bn debt with its western commercial bank creditors. Until these talks have been concluded it cannot expect fresh loans.

As an interim measure, the first tranche of a World Bank loan of $150m, which was released late last year, has been used to pay for imports of petroleum products, including heavy fuel oil.

In the long term, Mr Radulov says a strategy for Bulgaria's future energy requirements is urgently needed.

He dismisses suggestions that the economic reforms, which have already led to the liberalisation of prices, including energy, will in the short term make enterprises and domestic consumers more sparing in their use of use of energy.

"We have to address two issues. First, we have to move away from a heavy-industrial sector which uses a great deal of energy. Second, saving energy must be linked to the efficient production and use of energy.

"Let me give you some examples," he said.

"Apartments are badly insulated. Local residential districts, or apartment blocks, are controlled by a centralised heating system. This means there are no thermostats in the individual apartments. A room's temperature is regulated by opening or closing the windows," he explained.

But the energy loss began much earlier in the system than that, said Mr Radulov. "We waste about 30 per cent of electricity because of the inefficient way we produce it. Another 10 per cent is wasted as it runs through the grid system. Gas is wasted as well. The domestic supply is not linked to a grid system. Consumers use gas cans," he said.

WORLD COMMODITIES PRICES

MARKET REPORT

Three-months ALUMINIUM prices bounced off the key $1,300 a tonne level on the LME, but still closed well below Friday. The market came under pressure from hedge selling and liquidation, with fundamentals pointing downwards. LME stock figures are forecast to rise again today. Trade in other LME metals was largely routine, with little emerging in the way of news to disturb markets from recent ranges. GOLD closed almost unchanged on the London bullion market. Dealers said the market was moving to test the upside of its $336 to $340 a troy ounce range in the absence of the physical sales that sent the market to near six-year lows last week. PLATINUM was fixed at $351.50 before retesting the the day's highs around $352 on news that the death toll in weekend fighting at Impala Platinum's Bafokeng North mine had risen to 13. About 8,000 employees on the morning shift did not report for work yesterday. Platinum faces stiff resistance at $358, but is garnering support from expectations of a Japanese discount rate cut.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.80z	-0.10
Brent Blend (dated)	$17.60-7.65	-0.05
Brent Blend (May)	$17.70-7.75	-0.05
W.T.I. (1 pm est)	$19.10-9.15z	-0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$196-199	
Gas Oil	$162-163	-2
Heavy Fuel Oil	$72-73	
Naphtha	$165-166	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$339.00	-0.05
Silver (per troy oz)♣	413.0c	-1
Platinum (per troy oz)	$351.5	-0.85
Palladium (per troy oz)	$84.25	
Copper (US Producer)	105.44	-0.66
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.18r	
Tin (New York)	261.5c	+0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.60p	+0.11*
Sheep (live weight)†♣	101.32p	-0.07*
Pigs (live weight)†	98.41p	+0.53*
London daily sugar (raw)	$314.0v	+1.2
London daily sugar (white)	$272.5v	
Tate and Lyle export price	£233.0	+0.5
Barley (English feed)	£121.25	-0.25
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	54.75p	
Rubber (May)♥	55.00p	
Rubber (KL RSS No 1 Mar)	214.5	+0.5
Coconut oil (Philippines)§	$640.0v	+12.5
Palm Oil (Malaysian)§	$397.5w	-7.5
Copra (Philippines)§	$410.0w	-5
Soyabeans (US)	£157.0q	-1
Cotton "A" index	55.50c	
Wooltops (64s Super)	444p	-12

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar. t-Jun/Jly. u-Jan/Mar. v-Apr/May. y-Feb/Mar. w-Apr. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	663	670	660	
May	684	690	686	682
Jul	711	717	716	710
Sep	736	741	739	735
Dec	770	775	774	770
Mar	804	807	805	801
May	823	825	824	
Jul	843	844	845	842

Turnover: 1858 (5658) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Mar.20 640.98 (631.09) 10 day average for Mar.23 627.43 (625.79)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	880	885	870	860
May	896	878	886	864
Jul	897	883	890	875
Sep	899	905	902	890
Nov	913	919	918	905
Jan	928	940	936	926

Turnover: 4788 (6282) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Mar 20: Comp. daily 58.14 (58.13) 15 day average 56.48 (56.28). Sterling close: March 1506

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	185.00	187.40	187.80	183.80
Aug	186.40	190.40	190.40	186.40
Oct	188.20	191.00	191.00	187.80
White	**Close**	**Previous**	**High/Low**	
May	268.30	270.1	269.50	268.50
Aug	267.60	270.5	269.60	266.50
Oct	259.50	262.4	261.00	259.00
Dec	261.00		261.20	260.20
Mar	263.60		263.60	262.20
May	265.60		268.00	

Turnover: Raw 259 (287) lots of 50 tonnes. White 2057 (2012). Paris- White (FFr per tonne): May 1525.71 Aug 1546.41

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
May	17.80	17.68	17.81	17.70
Jun	17.86	17.74	17.89	17.80
Jul	17.81	17.73	17.83	17.78
Aug	17.79	17.73	17.80	17.72
Sep	17.78	17.73	17.79	17.74
Oct	17.79	17.73	17.73	
Nov	17.78	17.73	17.73	
IPE Index	17.93	17.86		

Turnover 10882 (19950)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Apr	160.75	163.25	161.25	160.25
May	161.75	164.25	162.50	161.50
Jun	163.25	165.50	164.00	163.25
Jul	165.25	167.50	165.50	165.00
Aug	167.00	169.25	167.25	166.50
Sep	168.75	170.75	169.00	168.75
Oct	171.00	173.00	171.00	

Turnover 5344 (8696) lots of 100 tonnes

TEA

There was a strong demand, reports the Tea Broker's Association. Bright liquoring East Africans were often 4-6p dearer with quality, while colourly mediums were also well supported and generally 2-4p higher. The remainder ruled firm except the plainest, which tended easier. Offshore, there was good general demand in the oil section with selected brighter lines dearer, others firm and only one container unsold. Fob teas, all from Mauritius, were neglected. The highest price realised this week was 200p for a Rwanda pd. Quotations: quality 160p, good medium 114p, medium 85p, low medium 80p

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	112.3	112.5	113.0	112.0
May	125.7	125.0	127.0	125.5

Turnover 104 (149) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	132.00		

Turnover 0 (30) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1208	1221	1214	1208
Apr	1253	1277	1276	1260
May	1240	1270	1265	1240
Jul	1105	1116	1110	1105
Oct	1252	1268	1260	1250
Jan	1263	1290	1290	1263
BFI	1214	1215		

Turnover 281 (361)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	124.20	124.70	124.20	
May	126.75	127.00	127.00	126.75
Nov	116.75	116.35	115.75	116.50
Jan	120.65	120.10	120.15	120.50
Mar	123.75	123.40	123.60	123.75
Barley	**Close**	**Previous**	**High/Low**	
May	116.40	117.15	117.00	116.25

Turnover: Wheat 105 (175), Barley 41 (32)
Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	124.0	123.0	123.7	123.0
Apr	125.0	125.0	125.8	125.0
May	122.5	121.0	122.4	121.0
Jun	118.8	117.5	118.7	118.0
Jul	112.6	111.8	112.3	112.0

Turnover: 161 (92) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 19,667 lots	
Cash	1281-82	1297-8	1283.5/1283	1283-83.5		
3 months	1307-08	1322-3	1322/1300	1308.5-10.0	1303-04	176,563 lots
Copper, Grade A (£ per tonne)					Total daily turnover 11,244 lots	
Cash	1287-88	1302-3	1297	1296.5-7.5		
3 months	1314.5-15.5	1329.5-30	1322/1315	1322-22.5	1318-19	109,409 lots
Lead (£ per tonne)					Total daily turnover 2,914 lots	
Cash	306.5-7.0	308.5-7.5	308/307.5	307.5-8.5		
3 months	317-7.5	317.5-8	319/317.5	318.5-8.75	317.5-8.0	15,675 lots
Nickel ($ per tonne)					Total daily turnover 2,341 lots	
Cash	7345-55	7370-80		7345-50		
3 months	7430-35	7455-60	7443/7430	7430-35	7430-35	23,530 lots
Tin ($ per tonne)					Total daily turnover 778 lots	
Cash	5615-20	5620-30	5610	5605-10		
3 months	5655-60	5655-60	5670/5640	5640-45	5665-70	5,618 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 11,155 lots	
Cash	1228-29	1221-3	1222	1222.5-3.0		
3 months	1238-39	1230-1	1238/1225	1231-32	1236-38	49,930 lots

LME Closing £/$ rate: SPOT: 1.7150 3 months: 1.6886 6 months: 1.6653 9 months: 1.6444

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	338.90-339.20	
Opening	338.65-339.15	
Morning fix	337.60	197.855
Afternoon fix	338.80	198.570
Day's high	339.40-339.70	
Day's low	337.20-337.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.56	6 months	3.66
2 months	3.55	12 months	3.84
3 months	3.55		

Silver fix	p/fine oz	US cts equiv
Spot	239.65	410.00
3 months	246.20	414.35
6 months	252.75	419.20
12 months	265.30	430.35

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	338.00-340.00	197.00-197.50
Maple leaf	350.00-351.00	203.50-204.00
New Sovereign	83.00-84.00	48.25-48.75

TRADED OPTIONS

Coffee	May	Jul	May	Jul
850	42	61	8	24
900	13	35	27	48
950	3	20	67	83
Cocoa	**May**	**Jul**	**May**	**Jul**
650	39		5	
675	22		13	
700	11	37	27	28
Brent Crude	**May**	**Jun**	**May**	**Jun**
1750	49	75	21	43
1800	18	48		
1850	8	27		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	338.2	338.2	0	0
Apr	338.5	338.5	339.2	338.3
May	339.5	339.5	0	0
Jun	340.5	340.6	341.3	340.3
Aug	342.8	342.9	343.5	342.6
Oct	345.1	345.3	0	0
Dec	347.7	347.9	348.6	347.6
Feb	350.4	350.6	350.7	350.7
Apr	353.1	353.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	350.6	350.6	0	0
Apr	350.8	351.2	352.3	350.5
Jul	349.7	349.9	350.5	348.0
Oct	353.3	353.4	354.0	352.5
Jan	353.3	353.4	353.0	353.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	408.7	411.1	412.0	411.0
Apr	409.3	411.8	0	0
May	410.7	413.2	414.5	410.5
Jul	414.0	416.6	418.0	414.0
Sep	417.9	420.6	420.5	420.0
Dec	423.9	426.7	427.5	424.0
Jan	425.8	428.6	0	0
Mar	430.5	433.4	434.0	433.5
May	435.4	438.4	0	0
Jul	440.3	443.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	101.35	101.00	101.40	100.80
Apr	101.35	101.00	101.35	100.80
May	101.25	100.80	101.30	100.55
Jun	101.05	100.65	101.00	101.00
Jul	100.85	100.45	100.95	100.30
Aug	100.75	100.30	100.80	100.80
Sep	100.60	100.15	100.10	100.00
Oct	100.50	100.05	0	0
Nov	100.40	99.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
May	19.13	19.09	19.19	19.03
Jun	19.23	19.20	19.30	19.14
Jul	19.28	19.23	19.33	19.23
Aug	19.26	19.19	19.26	19.21
Sep	19.23	19.15	19.24	19.17
Oct	19.21	19.12	19.22	19.16
Nov	19.19	19.10	19.19	19.17
Dec	19.18	19.09	19.20	19.16
Jan	19.13	19.04	19.16	19.10
Feb	19.08	19.00	19.10	19.10

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	5354	5329	5410	5340
May	5279	5243	5315	5250
Jun	5224	5207	5265	5205
Jul	5251	5231	5290	5245
Aug	5321	5297	5350	5310
Sep	5441	5417	5460	5425
Oct	5541	5517	5560	5555
Nov	5636	5612	5660	5665
Dec	5731	5707	5756	5756
Jan	5761	5737	5740	5740

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1081	1076	1085	1084
Jul	1115	1113	1120	1105
Sep	1151	1149	1155	1140
Dec	1193	1191	1196	1180
Mar	1235	1233	1236	1221
May	1261	1259	0	0
Jul	1290	1288	0	0
Sep	1324	1322	1312	1311
Dec	1357	1357	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	74.25	74.10	74.85	73.15
Jul	76.30	76.00	76.70	75.10
Sep	78.40	77.95	78.80	77.25
Dec	81.85	81.20	81.90	80.50
Mar	85.25	84.75	85.25	84.50
May	89.25	88.10	0	0
Jul	92.00	90.85	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.29	8.44	8.42	8.24
Jul	8.32	8.50	8.46	8.31
Oct	8.41	8.55	8.53	8.38
Mar	8.58	8.68	8.65	8.54
May	8.63	8.73	8.65	8.65
Jul	8.71	8.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	58.40	58.63	58.88	58.20
Jul	57.98	58.14	58.20	57.70
Oct	59.65	59.75	59.70	59.50
Dec	60.44	60.55	60.55	60.15
Mar	62.00	61.95	61.50	61.50
May	62.50	62.45	0	0
Jul	63.00	62.95	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	143.10	143.55	144.75	142.60
Jul	141.05	140.95	142.25	140.40
Sep	132.25	132.50	133.50	132.25
Nov	123.25	123.25	123.25	123.00
Jan	122.85	123.00	123.00	122.75
Mar	122.35	122.75	123.50	122.35
May	122.35	122.75	122.75	122.75
Jul	122.35	122.75	122.75	122.75

INDICES

REUTERS (Base: September 18 1931 = 100)			
Mar.23	Mar.20	mnth ago	yr ago
1617.7	1623.2	1600.5	1721.4

DOW JONES (Base: Dec. 31 1974 = 100)	Mar.20	Mar.19	mnth ago	yr ago
Spot	117.89	118.29	119.48	124.76
Futures	122.18	122.38	122.91	128.67

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	587/2	585/4	587/4	584/2
May	586/2	594/6	597/0	583/2
Jul	600/6	599/6	601/0	598/2
Aug	594/2	602/0	604/4	602/0
Sep	612/2	610/2	612/4	608/4
Nov	620/2	618/0	620/4	617/0
Jan	618/4	628/0	628/4	626/0
May	634/4	633/0	634/4	633/0
Jul	639/0	0	639/0	639/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	19.86	19.78	19.91	19.73
Jul	20.17	20.07	20.22	20.05
Aug	20.33	20.25	20.35	20.22
Sep	20.50	20.37	20.50	20.37
Oct	20.60	20.41	20.62	20.45
Dec	20.92	20.80	20.93	20.78
Jan	20.97	20.90	21.00	20.90
Mar	21.20	21.10	0	0
May	21.30	21.20	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	181.2	179.2	179.7	178.3
Aug	182.3	182.1	182.7	180.8
Sep	183.6	183.0	183.5	182.0
Oct	197.6	184.6	184.5	183.1
Dec	199.2	198.9	198.4	197.5
Jan	200.0	200.1	201.0	198.9
Mar	202.5	201.0	200.5	200.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	271/2	270/2	271/4	269/0
Jul	276/6	275/2	277/0	274/0
Sep	269/4	268/0	269/4	267/0
Sep	265/4	268/0	265/4	262/6
Dec	272/6	264/0	272/6	269/6
Mar	276/4	274/4	276/4	273/6
May	280/0	275/0	280/0	277/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	392/0	389/2	393/0	385/0
Jul	371/0	371/4	372/4	366/2
Sep	375/0	375/4	376/4	370/4
Dec	382/6	384/2	384/4	379/4
Mar	384/4	386/0	0	0
May	375/0	0	375/0	375/0
Jul	348/0	348/0	350/0	344/0
Sep	355/0	0	355/0	355/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.100	77.750	77.600	76.600
Jun	73.475	73.875	73.700	73.150
Aug	69.175	69.875	69.550	69.050
Oct	69.300	69.700	69.525	69.050
Dec	69.525	69.775	69.700	69.350
Feb	69.000	69.250	69.250	69.000
Apr	70.100	70.100	0	0

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	40.800	40.725	40.850	40.525
Jun	46.275	46.350	46.475	46.025
Jul	46.060	46.125	46.300	45.900
Aug	44.675	44.525	44.800	44.500
Oct	41.600	41.450	41.800	41.375
Dec	44.650	44.550	44.750	44.550
Feb	45.750	45.750	0	45.700
Apr	43.150	43.200	0	43.150

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	36.900	37.600	37.500	36.800
May	38.225	38.675	38.450	37.700
Jul	38.775	39.075	38.950	38.325
Aug	36.875	37.225	37.350	36.800
Feb	48.850	48.900	48.850	48.400
Mar	47.800	47.900	0	47.400
May	50.000	50.000	0	0

LONDON STOCK EXCHANGE

Equities fall after poor trade figures

By Steve Thompson

MUCH worse than expected trade figures for February set the seal on a dismal trading session and saw London's equity market close at its lowest level this year. At the close of business, the FT-SE 100-share index showed a 15.6 decline at 2,441.0.

The poor trade figures were seen as damaging even more the chances of the ruling Conservative government being re-elected on April 9. The figures came hard on the heels of the latest batch of opinion polls published over the weekend. Of the five poll results, four indicated a Labour lead over the Tories with one favouring the Conservatives.

Dealers were said to be bracing themselves for more bad news in the never-ending stream of polls, with today expected to bring another reading of the nation's current political leanings. However, it was pointed out by traders that the City had absorbed the latest bad news on the economy with minimum fuss.

They said that, although the trade figures ruffled the stock market, they did little to upset the foreign exchange and bond markets. Sterling closed higher against both the dollar and the D-Mark, promoting stability in the gilt-edged market, where prices closed virtually unaltered after initial small gains and a subsequent bout of nervousness in midsession.

The first trading session of the new account began relatively brightly, with market-makers opening prices around Friday's levels in the hope that much of the political news had been expected and factored into prices last week. An opening decline of four points on the Footsie reflected an unusually large number of constituents – including BAT Industries, Legal & General, Reuters and BTR – going ex-dividend, a factor that lowered the index by over five points. Little genuine institutional business was transacted during the early part of the morning, with the Footsie future again leading the primary market lower after a relatively sedate start to trading.

Evidence of a small programme trade and growing nervousness about the trade figures then began to unsettle the market, which showed a loss of 18 points before the trade numbers were published. After this, the market fell sharply, reaching the session's low of 2,427.9, or down 28.7, as Wall Street came in lower.

A determined rally developed towards the close, however, with buyers said to have been stimulated by hopes of a better showing for the Conservatives in an opinion poll expected this morning and by a firmer trend on Wall Street.

The Labour party's election campaign bore down on the media sector, hitting shares in Pearson, Reed International News International and Granada as Mr Roy Hattersley, deputy leader of Labour, said his party would launch a monopoly inquiry into cross-media ownership if it wins the election.

Property shares were sold hard as investors took fright at the latest developments surrounding international property development group Olympia & York.

Equity turnover remained at miserably low levels. Yesterday's 370.6m compared very badly with Friday's 587.8m.

Account Dealing Dates		
*First Dealings:		
Mar 9	Mar 23	Apr 6
Option Declarations:		
Mar 19	Apr 2	Apr 23
Last Dealings:		
Mar 20	Apr 3	Apr 24
Account Day:		
Mar 30	Apr 13	May 5

*New-time dealings may take place from 8.30 am two business days earlier.

Comment hits media stocks

MARKETMAKERS worried by the relative strength in media stocks took their chance to adjust prices yesterday. They seized on news that the Labour party would launch a monopoly inquiry into cross-media ownership if it wins power in the April 9 general election.

Pearson, Reed International and News International all fell sharply. However, the turnovers of 250,000, 1m and 152,000 shares respectively suggested that few genuine sellers were behind the falls. A partial recovery left Pearson a net 13 off at 770p and Reed 14 down on the day at 499p.

Mr Rupert Murdoch's News International, the only company likely to be seriously affected by a cross-media ownership review and believed to be Labour's principal target, fell 12 to 341p.

Reed was also depressed by a profits forecast cut from agency broker James Capel, which reduced its current year estimate from £225m to £217m. Capel said the change was not great in financial terms but had a psychological effect as it brought the figure below last year's £231.8m.

Forth Ports debut

Scottish port operator Forth Ports came to the market yesterday and was the third most heavily traded stock. The shares surged above the offer price of 110p to close at 122p. Volume was a heavy 9m, which equates to around 31 per cent of equity.

The group, which was owned by the UK government, operates all the ports in the Firth of Forth and last year made pre-tax profits of £6.2m. Although profits are expected to decline this year – mainly because of a fall in orders for British Pipe Coaters, which treats pipes at Leith – analysts are generally enthusiastic about Forth's prospects.

Mr Mark Laurence at Smith New Court said: "The price of the placing will ensure a strong following for the stock, and we think a fundamental value of Forth could support a share price of around 145p."

Drugs feature

Sharp polarity in the performances of Glaxo and SmithKline Beecham left a number of observers slightly bemused as there seemed to be no specific stories driving the stock prices.

At first sight, investors appeared to be switching from one stock to the other. However, the impetus came, as it often does, from New York.

US securities houses were strong buyers of Glaxo, partly on weakness, partly because a number of them – Smith Barney for example – are continually reiterating their buy stance on the shares, and partly because nervousness over the forthcoming UK general election is promoting a return to defensive stocks. Glaxo shares jumped 18 to 782p.

SmithKline has a large exposure to consumer recovery, or the lack of it, in the UK. It reacted, yesterday, to heavy selling of the Units on Friday. The "A" shares dropped 22 to 855p while the Units slid 112 further to 3928p.

A report that oil reserves in Colombia's Cusiana oil field may be smaller than expected hurt shares in BP, which has a 40 per cent interest in the field. The stock lost 4 to 258p on turnover of 5.9m, also dampened by County NatWest reiterating its negative stance at the house morning meeting.

Royal Insurance moved against the general trend and rose 4 to 174p following a buy recommendation from County NatWest.

Mr David Nisbet, County's insurance analyst, changed his short-term stance to buy from hold. He said the stock was trading at "almost half its net asset value" and argued that, although there were risks attached, its discount to asset value should be closer to 40 per cent. This would put the share price at around £2, he added.

The running saga over British Aerospace's long-promised Saudi Arabian defence contract continued to drag the group down as talk in the market suggested further delays – and possible cancellations – to the signing. BAe, 14 weaker at one stage, recovered to 291p for a fall of 10 on the day.

Aerospace, cargo handling and electronic component distributor ML Holdings received the unwelcome attention of TT Group as the latter took a 7 per cent stake. ML, whose shares collapsed from 53p after its interims in January, rose 7 to 28p. TT was steady at 200p.

Dividend hopes helped Bridon add 4 at 89p. Reports that Smith New Court had turned a seller of British Steel left the stock 2½ easier at 75p after busy turnover of 11m.

BET advanced 6 to 131p on news of the appointment of Sir Christopher Harding as chairman. The stock was also helped by sentiment that the dividend would be maintained.

Further nervousness at Harland Simon – the group issued a profits warning in February – saw the shares drop 28 to 103p.

Selected property shares were sold as the swing towards Labour in the opinion polls unnerved some investors with the feeling that a Labour government would prolong the sector's plight. British Land lost 14 to 189p as a big line of stock went through. Land Securities slipped 9 to 394p, and Hammerson 'A' 8 to 405p. Sentiment was also unhinged by the problems at Olympia & York.

There was further recovery in Guinness after the initial caution that followed last week's figures. The shares firmed 3 to 561p in a subdued brewing and drinks sector. The main reason for the earlier caution was Guinness's suggestion that there is unlikely to be a speedy end to the recession in its major whisky markets.

This view was echoed by Macallan-Glenlivet, the much smaller but prestigious malt whisky producer. Like Guinness, yesterday's figures for 1991 were good, with profits rising to £6.36m from £5.34m, but it warned that trading conditions remain difficult. The shares slipped 12 to 163p.

British Airways' purchase of a German airline helped it to gain 5 to 253p. The move will strengthen BA's position in the German regional commuter market.

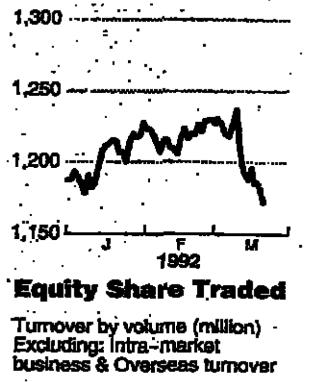
Stores conglomerate Kingfisher bucked the downward trend, holding at 466p ahead of tomorrow's results, which some analysts fear will fail to equal last year's profits of £215.3m.

Market predictions of profits around the £60m mark proved fairly accurate for Argos, which turned in £62.09 pre-tax for 1991, compared with £75.11m previously. Strong cash flow allowed the company to increase its dividend but the shares fell 4 to 253p as analysts worried that it may be losing its "value for money image".

MARKET REPORTERS:
Steve Thompson, Peter John, Christopher Price, Colin Millham.

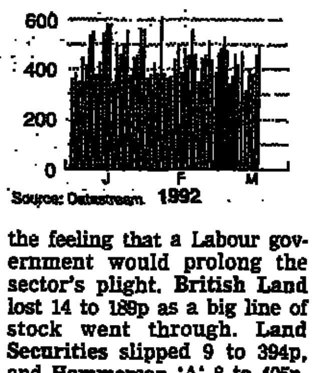
■ Other market statistics, including the FT-Actuaries Share Indices, Page 28.

FT-A All-Share Index



Equity Share Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream 1992

FINANCIAL TIMES STOCK INDICES

	Mar 23	Mar 20	Mar 19	Mar 18	Mar 17	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	85.94	86.08	86.10	86.20	86.40	84.51	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.11	99.20	99.42	99.49†	99.50	94.06	101.56 (18/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1910.8	1916.5	1923.1	1925.8	1940.8	1930.5	2108.3 (2/9/91)	1608.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	123.4	123.4	122.1	121.3	116.0	145.9	222.8 (11/7/91)	116.0 (17/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2441.0	2456.6	2467.6	2464.7	2491.2	2431.9	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1151.61	1162.99	1163.58	1165.63	1169.93	1120.73	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.52 (16/1/91)

●Ord. Div. Yield	4.64	4.70	4.69	4.64	4.63	5.01
●Earning Yld %(full)	6.62	6.64	6.63	6.60	6.54	9.19
●P/E Ratio(Net)(*)	19.02	19.08	19.10	19.19	19.36	13.42
SEAQ Bargains 5.00pm	26,630	33,120	29,478	29,810	27,873	36,864
Equity Turnover(£m)†	-	1048.0	1093.1	987.2	932.7	768.36
Equity Bargains†	-	37,291	34,796	33,429	31,431	41,068
Shares Traded (mil)†	-	494.2	459.6	385.8	402.8	362.4

Ordinary Share Index, Hourly changes — Day's High 1919.4 — Day's Low 1902.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1914.8	1917.0	1919.1	1915.7	1907.8	1908.4	1907.6	1903.1	1907.8

FT-SE 100, Hourly changes — Day's High 2453.1 — Day's Low 2427.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2446.5	2450.0	2450.8	2445.4	2433.2	2433.7	2433.1	2429.5	2436.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1159.95 — Day's Low 1150.70

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1159.65	1159.72	1157.33	1153.92	1153.81	1152.93	1151.33

GILT EDGED ACTIVITY

Indices*	Mar 20	Mar 19
Gilt Edged Bargains	74.8	77.1
5-Day average	87.6	91.6

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A MOOD of political uncertainty continued to hang over the futures market, sidelining many investors and depressing trading which was at a discount to the cash market for most of yesterday, writes Christopher Price.

The March contract opened slightly down at 2,440 before a small rally took it to 2,452, with independent traders featuring prominently. However, from then on, March began a decline which found little support, although a few buyers were evident at the 2,430 level by mid-day.

The afternoon saw further falls and March was dragged down to 2,418 by 2pm. Some support was found at this level, chiefly from Goldman Sachs, which had been the biggest seller on Friday.

March rallied to 2,432 and further took it to 2,444 by the close. This was the same level as the previous session, and at a 3-point premium to the cash market. There were 8,089 contracts traded.

The Traded Options market had its first day's trading of the newly-merged LTOM and LIFFE. One trader reported that changes to margin rules had caught some people unawares and other technical teething problems had had some effect on trading. Turnover was a low 14,447.

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	35⅛xd	+⅛	36	20⅞	15,044	1.9
♥Allegheny & W.	313p	-10	385p	218p	182.7	5.4
Amdahl	1028p	—	1159p	687p	2,138	0.5
Amer Cyanamid	37	—	42⅛	25⅞	3,490	2.3
Amer Express	13xd	+⅛	17⅞	9⅞	8,115	4.4
Amer T & T	23¾xd	+⅛	24½	15¼	31,021	3.7
Ameritech	34¼	—	38⅞	32½	14,995	5.8
BankAmerica	28½xd	+1	28½	12⅞	5,761	2.8
Bankers NY	33½xd	+⅛	38⅞	20⅛	2,753	6.2
Bell Atlantic	24	-⅛	38½	24	9,438	5.9
BellSouth	26	-⅛	31¼	25	12,811	6.0
♥Bethlehem Steel	9xd	-⅛	11¼	6⅞	686.0	—
Bowater	1587pxd	-25	1809p	1042p	541.3	4.5
CPC	51¾xd	+⅛	54⅞	37⅞	3,883	2.6
California Engy	738p	—	938p	420p	134.0	—
Campbell Soup h	21⅛	-⅛	25	14⅛	5,373	1.8
Chase Manhattan	14⅞xd	+⅛	14⅞	5⅞	1,997	4.6
Chrysler	10½xd	-⅛	10⅝	5⅛	3,089	1.2
Citicorp	10⅞xd	+⅛	10⅛	4⅝	3,542	—
Colgate-Palm	28⅞xd	+⅛	28⅞	21⅞	4,117	2.1
Cont'l Bank	997p	+37	997p	438p	1,807	3.4
Dana	22½xd	+⅛	22½	13⅝	924.8	4.0
Data General	619p	-4	1262p	203p	170.8	—
Dial	23⅛xd	-⅛	24⅛	7⅞	928.1	2.7
Dun & Brad.	33	+⅛	33	30⅛	5,888	3.7
Eaton	45½	+1	45½	24¼	1,949	2.7
Echlin	11xd	+⅛	11	5½	614.3	3.8
FPL	19⅞xd	-⅛	20⅛	14⅞	3,294	7.0
Fluor	23¾xd	-⅛	30⅛	17⅞	1,926	0.9
Ford Motor	23⅞xd	+⅛	23⅞	13	11,154	2.4
Gen Elect	46xd	+⅛	46⅞	28⅞	39,869	2.5
♥General Host	502p	+2	586p	270p	—	4.0
Gillette	28⅛xd	+⅛	45¾	30⅞	6,148	1.2
Lockheed	28½	-⅛	28⅛	16⅝	1,661	4.3
Lowe's	2358p	-76	2478p	1245p	858.6	1.3
Merrill Lynch	33⅞xd	+⅛	39⅞	10⅞	3,483	1.7
Morgan (JP)	34½xd	+⅛	38¼	21⅞	5,518	3.6
Morris (Philip)	45⅛xd	+⅛	45⅞	25⅞	41,777	2.6
NYNEX	41¾	-⅛	48¾	39	8,488	6.3
♥Pac Agric	42p	—	88p	15p	—	—
Pall	15⅛	-⅛	17⅞	10⅞	1,348	1.3
Pennzoil	25⅝xd	-⅛	46⅛	25⅝	1,035	6.6
Quaker Oats	34⅞xd	-⅛	40⅞	34⅞	2,833	2.8
Rockwell	15⅞xd	—	17⅛	12⅛	3,497	1.5
Rep NY	23⅞	-⅛	27⅞	16½	1,245	2.4
Sears, Roebuck	27⅝xd	-⅛	28	12⅞	9,505	4.1
Sthwestern Bell	34⅛	—	35⅞	25⅝	10,269	4.7
Sun Co	16¼xd	-⅛	20⅛	14⅛	1,723	6.3
Tenneco	22⅞xd	-⅛	27⅛	14⅞	2,807	4.0
Texaco	33⅛xd	-⅛	48½	29⅞	8,626	5.4
Time Warner	60⅝xd	-⅛	64½	37⅞	5,597	0.5
♥Unilab	460p	—	667p	250p	427.3	—
Utd Tech	31⅛xd	+⅛	31½	22⅛	3,816	3.2
♥Unitech	120p	—	120p	42p	—	—
♥URS Intl Ic	0½p	—	1¼p	0⅛p	1.59	—
US West	19⅞	—	23	18¼	6,119	5.9
Vanity	762p	—	1410p	578p	190.2	—
Waste Manage	24⅛xd	-⅛	28	16⅝	11,523	1.0
Whirlpool	2708pxd	+9	2708p	1053p	1,877	2.3
♥Woolworth	18¼	+⅛	20⅞	12¼	2,380	3.3

CANADIANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
♥Abbot Energy	2p	—	11p	1¾p	—	—
Amer Barrick	1485p	—	1642p	953p	2,026	0.3
Bk Montreal	21	—	23¼	13	2,523	5.4
Bk Nova Scot	1038p	+15	1176p	536p	2,087	4.5
♥BC Gas	838p	—	878p	638p	—	3.9
BCE	22⅞	+⅛	24½	17¼	7,042	6.8
♥Brascan	885p	-9	1050p	647p	729.9	6.3
♥Breakwater	22½p	-2	35p	6p	14.3	24.0
Can Imp Bk	1483p	-34	1810p	1180p	2,707	4.8
Can Pacific	830p	-8	1108p	756p	2,543	0.3

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

MERCHANT BANKS - Cont.

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+or-	1991/92 high	low	Mkt Cap£m	Yld Gr's
[illegible]							
Kenmare		4½	—	25	3½	4.92	—
Navan Res IR		24	—	26	15	3.22	—
Northgate Expl C$	s	38	—	98	37½	4.79	—
North West Expl A$		2	—	16	2	0.67	—
Oryx Gold $		78	—	188	77½	—	—
Ovoca Gold IR		10	—	23	8	8.70	—
Plateau		9	—	44	9	4.18	—
RTZ	q	549xd	-5½	695	404	5,495	4.7
Vizcaya		2	—	18	2	1.07	—
Western & Pac C$		13½	—	162	7	7.41	—
Young Grp		41	-4	133	25	6.17	16.9

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

[illegible]

a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. ... yield, p/e based on latest annual earnings ... Yield based on prospectus or other ... sc ex scrip issue; xr ex rights; xa ex all; dl ex capital distribution.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mngrs Ltd (1200)H

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Allied Dunbar Assurance Plc—Contd.

Citibank Life

Equitable Life Assurance Society

Henderson Administration(z)

Lifetime Assurance Co Ltd

NEL Britannia Assce Co Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Norwich Union Life Insurance Soc.—Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Assc. Assn.—Contd.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Life Pensions Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

TSB Life Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Aetna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Friends Provident International Ltd

Hafnia Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd (z)

Sun Alliance International Life

Target International Group

Providence Capital International Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Swiss Franc Mngd	SFr5.349	5.752	....	–
Swiss Franc Money Mkt	SFr1.173	1.262	....	–
DM Deutschmark Managed	DM1.813	1.950	....	–
£ GFS Global Port	£0.829	0.892	....	–
£ YRA Worldwide	£0.969	1.042	....	–
$ YRA Othr W'wide	$1.015	1.092	....	–
Young & Co Bknd P'folio	$0.992	1.067	....	–

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 071-836 4321

	Bid Price	Offer Price	+ or −	Yield Gross
J D Ward Mngd Bond	194.8	210.8	−1.4	–
J D Ward Mngd Pens	122.8	132.7	−0.7	–
Albany Life Acc.	194.7	204.9	+1.0	–
Albany Pens Acc.	250.0	263.1	+1.4	–
M&G Tripos Pen Acc	181.1	190.2	+0.2	–
RBC NW Growth Pen Acc	182.4	191.9	....	–

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Fd Mngrs Plc

Fairmount Financial Services Ltd

Hambro Fd Mgrs (CI) Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macaulay & Dowie Invest Mngt Plc

Northam Bloss & Partners

PRR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Shore (Albert E.) & Co.

Siltala Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Towry Law & Co

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Rothschild Asset Management—Contd.

	Init Charge	Cane. Price	Bid Price	Offer Price	+ or −	Yield Gr's
OCCFL SKr	[illegible]	[illegible]	104.52		[illegible]	10.34
OCCFL SwFr	[illegible]	[illegible]	20.788		[illegible]	7.34
OCCFL U.S.$	[illegible]	[illegible]	15.204		[illegible]	3.02
OCCFL Yen	[illegible]	[illegible]	3,566.11		[illegible]	4.26
OCCFL Mar E	3	[illegible]	20.544	10.877	[illegible]	7.94

Daily Dealings *Weekly Dealing

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246 St Peter Port, Guernsey 0481 723021

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)**

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Hambros Fund Management (CI) Ltd

Hastleville Fund Managers (Guernsey) Ltd

Henderson Admin. (Guernsey)

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mgrs (Gsy) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (z)

Hafnia Prolific International Mngmt Ltd

MI Global Asset Mngmt Co Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (z)

IRELAND (REGULATED)**

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Barings Mutual Fund Mngmt (Ireland) Ltd

Federated International Fund

Sanwa International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (IoM) Ltd

Asset Global Funds Ltd

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
High Income ... 5	[illegible]	[illegible]	[illegible]	10.34
CMI Core Portfolio Fund				
UK ... 5	£-0.9754	1.0459	[illegible]	-
USA ... 5	£-1.0906	1.1613	[illegible]	-
Japan ... 5	£-0.5379	0.5678	[illegible]	-
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd ... 5	95.18	95.42	[illegible]	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth ... 5¼	493.7	529.5	+0.3	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
LJ International ... 5¼	93.39	100.59	-8.47	-
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund ... 5	102.2	109.1	-0.7	7.5
Merc Intl Bond ... 5	53.98	56.72	-0.09	8.8
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income ... 6	1.0167	1.0921	[illegible]	24
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 0624 626484				
Scandinavia Fd ... 5	141.65	151.03	...	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H*	$17.31	18.71	...	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Option & Warrants	60.0	72.0	-0.03	0.00
Beckman Option & Warrants $	$1.03	1.24	-0.10	0.00
Beckman Reserve Assets	104	104	+1.00	2.67
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	129.7	136.2	...	4.7
DL International	$1.53	1.63	...	1.9
Equity & Law International Fund Mgs Ltd				
European Equity	164.45	173.08	...	-
Far Eastern Equity	$2.2241	2.3408	+0.0004	-

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income			$15.38	15.851	(z)	4.06
Capital			$23.63	24.349	(z)	5.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Extended Long Term*			$32.51	33.9894	(z)	4.97
*Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Mar 19 C$12.68						
First Aust Prime Inc Inv Co Ltd NAV Mar 19 US$10.62						
NAV Diluted to reflect exercise of all Wrrts C$12.37 US$10.35						
Fidelity Investment (CI) Ltd						
Sterling American			£2.537	2.670	+0.005	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		(z)	-
Foreign & Colonial Mngt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.41		-0.01	-
Multicurrency Cash			$16.24		-0.02	-
Sterling Cash			£11.66		+0.01	-
US$ Bonds			$14.42		-0.04	-
Multicurrency Bonds			$19.04		-0.07	-
Sterling Bonds			£12.71		-0.01	-
D Mark Bonds			DM10.37		-0.02	-
Ecu Bonds			Ecu11.59		-0.03	-
UK Equities			£9.92		-0.05	-
US Equities			$16.27		-0.01	-
Japanese Equities			Y706		+0.13	-
Global Equities			$10.73		+0.02	-
John Govett Management (Jersey) Ltd						
[illegible]			$10.66		...	-
[illegible]			$8.58		...	-
Paragon Fd NAV Feb 28			$10.98		...	-
Paragon Redemption			$9.99		...	-
Hungarian Inv Co Feb 28			103.85		...	-
For Holborn Fund Mngrs see Prudential Fund Mngrs						
INVESCO MIM International Limited						
All Funds deal daily except where indicated.						
Sterling Denominated Income Funds						
American Equity Inc			£1.547	1.660	-0.002	3.01
Japan Inc & Groth			£1.267	1.359	+0.014	2.26
Sterling Denominated Growth Funds						

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Mortgage (2)	$17.49	18.37	-0.12	10.25
North American (3-1)	$12.29	12.92	+0.01	-
Overseas (1-1)	$13.39	14.07	+0.01	-
Tiger (3-1)	$11.54	12.12	+0.29	-
The Vietnam Fund Limited				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Feb 28		$10.01		-
Wardley Investment Services Ltd				
Wardley S E Asia Tg	$14.92	15.75	+0.01	0.88
Japanese Warrants	$3.82	4.05	+0.29	-
Asian Warrants	$11.34	12.01	-0.07	-
European Warrants	$4.56	4.84		-
Managed	HK$10.65	11.28	+0.01	-
Private Capital Tst		$19.90	-0.07	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$13.14	13.81		-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$10.67	-0.05	-
Wells Fargo B Shs (z)		$9.81	-0.06	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0983	...	-
Xiphias Int ECU		Ecu1.0780	...	-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$10.83		-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. k Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey, Financial Services Commission; Ireland, Central Bank of Ireland; Isle of Man, Financial Supervision Commission; Jersey, Commercial Relations Department; Luxembourg, Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drifts lower

THE DOLLAR drifted a pfennig lower to DM1.6650/60 yesterday on disappointment from the market that it could not make more of recent figures showing US economic improvement, and the currency was unable to sustain a break above DM1.68.

In Tokyo it ended higher in listless Asian trade at Y134.20. Dealings were pared to a minimum due to lack of fresh incentives, dealers said.

Customers were virtually absent and dealers said the dollar is likely to enter a consolidation phase, particularly against the yen, until a clearer direction emerges.

Market participants said long-term sentiment remains bullish, but some market bulls are turning cautious as the US currency appears to be unable to breach key technical resistance at DM1.68 and Y135.

The pound stood up well in the wake of worse than expected UK February trade figures and a bad showing for the Conservatives in the weekend opinion polls.

Dealers remained bewildered by the British currency's firmness, saying the only reasons they could give were the shake-out in the dollar and concern from Federal Reserve officials that hopes of a US recovery could fade.

Dealers at Barclays Bank suggested the firmness of sterling was helped by comment from a Bundesbank council member on money supply which helped the D-Mark and knocked the dollar slightly.

"It has been a bit confused today," said Mr David Cocker, treasury adviser with Chemical Bank. "It was a fairly quiet day with no data of any note."

German M3 money supply grew by 8.6 per cent in February, after January's 8 per cent increase, on the back of strong demand for credit, the president of the regional central bank in the state of Lower Saxony said.

Mr Helmut Hesse, who also sits in the Bundesbank central policy-making council, told reporters that this M3 growth trend would not permit any reductions in official German interest rates.

Bundesbank deputy president Mr Hans Tietmeyer also drew attention to M3 money supply, saying he did not see the strong decline in growth needed to change monetary policy.

The growth contrasted with expectations in the market of around 8 per cent, and the Bundesbank's 1992 growth target of 3.5 to 5.5 per cent.

The pound was on its floor within the ERM, but against the D-Mark it moved between a ½ and ¾ of a pfennig better to DM2.8655 from DM2.8591. It ended more than a cent higher at $1.7170 against the dollar, and in New York it finished at $1.7190.

Against the Swiss franc, the US currency weakened to SFr1.5185, from SFr1.5250, and for the French franc, it dipped to FFr5.6625 from FFr5.7025.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

£ IN NEW YORK

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

STERLING INDEX

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

EURO-CURRENCY INTEREST RATES

D-Mark	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
French Franc	10¼ - 9⅞	10¼ - 9⅞	10⅛ - 10	10¼ - 10⅛	10¼ - 10⅛	10⅛ - 10
Italian Lira	12 - 10	12¼ - 11¾	12¼ - 11¾	12¼ - 11⅞	12¼ - 11¾	12¼ - 11⅞
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9⅝	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	6 - 5⅞	5⅞ - 5¼	5¼ - 5⅛	4⅞ - 4⅞	4⅞ - 4⅞	4⅝ - 4½
Danish Krone	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞
Asian $Sing	3⅛ - 3	3⅛ - 3	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½	3⅞ - 3¾
Spanish Peseta	12⅜ - 12¼	12⅝ - 12½	12⅝ - 12½	12⅝ - 12½	12⅜ - 12¼	12⅜ - 12¼

Long term Eurodollars: two years 6¼-6⅛ per cent, three years 6⅞-6⅝ per cent, four years 7⅛-7¼ per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Mar.23	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.715	2.865	229.2	9.710	2.605	3.225	2151	2.050	58.85	1.403
$	0.583	1	1.671	133.6	5.662	1.519	1.880	1254	1.195	34.31	0.818
DM	0.349	0.599	1	80.00	3.389	0.909	1.126	750.8	0.716	20.54	0.490
YEN	4.363	7.483	12.50	1000.	42.36	11.37	14.07	9385	8.944	256.8	6.121
F Fr.	1.030	1.766	2.951	236.0	10.	2.683	3.321	2215	2.111	60.61	1.445
S Fr.	0.384	0.658	1.100	87.98	3.727	1	1.238	825.7	0.787	22.59	0.539
N Fl.	0.310	0.532	0.888	71.07	3.011	0.808	1	667.0	0.636	18.25	0.435
Lira	0.465	0.797	1.332	106.6	4.514	1.211	1.499	1000.	0.953	27.36	0.652
C$	0.488	0.837	1.398	111.8	4.737	1.271	1.573	1049	1	28.71	0.684
B Fr.	1.699	2.914	4.868	389.5	16.50	4.427	5.480	3655	3.483	100.	2.384
Ecu	0.713	1.222	2.042	163.4	6.921	1.857	2.299	1533	1.461	41.95	1

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100

OTHER CURRENCIES

	£	$
Korea(Sth)	1312.15 - 1333.30	768.70 - 777.90
Kuwait	0.50400 - 0.50525	0.29550 - 0.29600
Luxembourg	58.80 - 58.90	34.25 - 34.35
Malaysia	4.4150 - 4.4225	2.5720 - 2.5740
Mexico	5178.10 - 5189.70	3071.00 - 3073.00
N.Zealand	3.1190 - 3.1225	1.8180 - 1.8300
Saudi Ar.	6.3650 - 6.4420	3.7495 - 3.7505
Singapore	2.8590 - 2.8655	1.6665 - 1.6685
S.Af (Cm)	4.9610 - 4.9725	2.8885 - 2.8900
S.Af (Fn)	5.9980 - 6.1055	3.4965 - 3.5590
Taiwan	43.40 - 43.60	25.45 - 25.56
U.A.E.	6.2325 - 6.3090	3.6715 - 3.6735

*Floating rate. Iran Official rate £115.30 $67.35

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	11	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
Henry Ansbacher	10.5	Exeter Bank Limited	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Trust Ltd	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	11	Rothschild	10.5
Bank of India	10.5	Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs	11	Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	Hambros Bank	10.5	United Bank of Kuwait	10.5
Benchmark Bank	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Hill Samuel	10.5	Western Trust	10.5
Brown Shipley	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	11
Citibank NA	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	Leopold Joseph & Sons	10.5	Members of British Merchant Banking & Securities Houses Association	
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

MONEY MARKETS

Rates rise further

CONCERN over the Conservative Party's lag in the opinion polls and the absence of an anticipated reduction in the February trade deficit helped push rates up further in a worried market yesterday.

Interbank rates continued to firm, with the key three-month rate up ⅛ from Friday's close to 10⅞-10$\frac{11}{16}$ per cent. The six-month rate rose to 11-10$\frac{13}{16}$. The one-year rose as high as 11$\frac{3}{32}$-11$\frac{1}{32}$ at one point but closed back at 11⅛-11 per cent.

The June sterling contract opened down two basis points at 88.94 and jumped to a peak of 89 before dropping slightly to close at 88.97.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The Bank of England forecast a shortage of £1.4bn in the morning, principally driven by a fall in treasury bills and maturing assistance, and in bills for repurchase by the market.

It acted early, purchasing outright £75m in band 2 at 10⅝ per cent, £11m at 10$\frac{1}{32}$ in band 3 and £3m at 10$\frac{3}{16}$ in band 4, as well as £1bn for resale to the market on April 3 and 6 at 10$\frac{11}{16}$ per cent.

It revised the shortage to £1.3bn at midday and bought £206m. That included £75m at 10⅝ in band 1, £21m at 10$\frac{9}{32}$ in band 3 and treasury bills of £22m at 10$\frac{3}{16}$ and another £88m in bills in band 4.

The afternoon forecast rose again to £1.45bn, and it purchased bills totalling £155m in band 1 at 10⅝ per cent. The Bank provided late assistance of around £50m.

"The Bank of England was quite keen to be quite helpful," said one dealer.

Overnight rates fell from 10⅝-10¼ per cent to 8½-8 per cent at lunchtime following the operations from the Bank of England, but rose to 10⅝-10¼ by the close.

German call rates remained unchanged from Friday at 9.65/70 per cent, near to the 9.75 per cent Lombard rate. This was in spite of an injection of short-term funds into the money markets by the Bundesbank during the morning estimated by one dealer at DM5-6bn.

Mr Peter Luxton, senior economist with Barclays Bank, stressed the importance of a statement from the South African reserve bank that it would be prepared to intervene for the first time since 1985.

"This marks a sea change in policy which will inject a degree of stability," he said. "It should encourage foreign investment in what is a very thin market which can be hugely volatile."

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar 23) 3 months US dollars		6 months US Dollars	
bid 4⅜	offer 4$\frac{7}{16}$	bid 4¾	offer 4⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

CONTRACTS & TENDERS

NRA SOUTH WEST REGION

OUTSOURCING OF THE LABORATORY INFORMATION MANAGEMENT SYSTEM (Production and Support Service)

The NRA South West Region will shortly be inviting tenders for the supply of IT production and support services currently provided to its Laboratory, by the internal I.T. section.

Equipment installed includes: 2 x MicroVax 3800; Newbury 3022 terminals; IBM PS/2's; Epson & HP printers.

Communications: Ethernet; Novell WAN.

Software: ORACLE; VMS and MS-DOS.

Tenderers should have an operational base within the South West and Wessex regional areas. Our intention would be to place one contract to cover all services to be outsourced.

Should you wish to be considered as a supplier of these services, please send your details by 7 April 1992 to:

D J GLENN, IT Manager, NRA, Manley House, Kestrel Way, Exeter EX2 7LQ.

For further information contact Mr J Hopkins on 071-437-8111 (ext 1348)

ART GALLERIES

E. DAWSON, D. JONES, J. NASH, E. PALMER, G. SUTHERLAND. "Dreamers of Landscape" until 7th April at SOHUN Gallery, 15 Redding Rd, Henley, Oxon. Tel: 0491 576228.

MARLBOROUGH 6 ALBEMARLE Street, London W1. ANDRZEJ JACKOWSKI Paintings 1982 to 1992. 20 March - 25 April 1992. Mon-Fri 10-5.30 Sat 10-12.30. Tel: 071 629 5161.

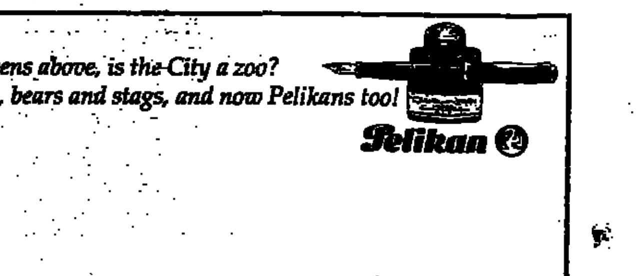
MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

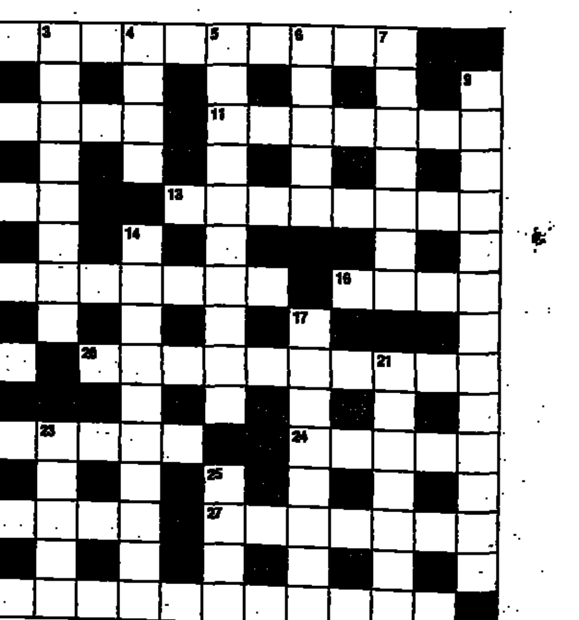
Money Market Bank Accounts

[illegible]



CROSSWORD

No.7,806 Set by QUARK



ACROSS

1 Speak in debate and capture low level of support (4,3,5)
10 Such as puts "getting a break" before "application of skill"? (7)
11 Deliveries owed but late (7)
12 Card sharp taking in nothing (5)
13 A clay-pit could be unusual (6)
15 Ken cringed apprehensively seeing description of some birds (4,6)
16 It's a stigma to pronounce indistinctly (4)
18 Burning desire when the wicket's not soft (4)
20 Lectures for series of studies in Norfolk town (10)
22 He can deal with the shooters (6)
24 Further on, departed on the right (5)
26 Saver of Ecu errs with change (7)
27 Campaign nowadays in ancient vessel (7)
28 Hero's spot of weakness (8,4)

DOWN

2 Additionally, took part of a poventity (4,5)
3 It's very difficult making demands (5)
4 Knocks successes (4)
5 Ministers and their opposite numbers (6,5)
6 Old English pun altered, maintaining an advantage (3,2)
7 City detectives needing to come up to academy? That's fundamental (7)
8 Paradoxically, he's not efficient in slips (13)
9 Watering-place kept in good condition (4,9)
14 Broadcast text on river referred to in the Bible (10)
17 Leave coating on an expanse of water (9)
19 American (a star) holds the game (7)
21 I taste a rum and take sufficient cheer (5)
23 Utter cheek (5)
25 Long for the grand manner when vessel departs (4)

Solution to Puzzle No.7,805

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices March 23

Total Sales 9,536,800 shares

MONTREAL

4:00 pm prices March 23

INDICES

NEW YORK

DOW JONES	Mar 23	Mar 20	Mar 19	Mar 18	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3272.14	3276.39	3261.40	3254.25	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.58	98.41	98.68	98.55	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1417.04	1433.67	1420.78	1401.72	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	205.43	206.12	205.12	204.62	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3288.69 (3292.49) Low 3249.33 (3240.83)

STANDARD AND POOR'S

	Mar 23	Mar 20	Mar 19	Mar 18	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	409.91	411.30♦	409.80	409.15	420.77 (15/1)	403.89 (12/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	487.87	489.15	487.84	487.39	499.27 (15/1)	480.59 (12/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.62	34.90	34.60	34.44	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.41	226.96	226.25	225.94	231.85 (15/1)	223.30 (12/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	401.36	402.03	402.17	400.97	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	621.83	624.28	625.96	624.94	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 20	Mar 13	Mar 6	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.84	2.84	3.53

	Mar 18	Mar 11	Mar 4	year ago (approx.)
S & P Industrial div yield	2.61	2.64	2.61	2.88
S & P Indl. P/E ratio	28.91	28.51	28.61	17.95

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Glaxo	3,193,400	27¼	+ 1
Blockbuster	3,064,800	15	+ ⅛
Telefonos	1,961,200	58½	+ 1¼
Amer T & T	1,803,400	40½	- ⅛
Boeing	1,704,800	43⅞	- ⅜
Ford Motor	1,659,100	39⅞	- ⅜
Natl Medical En	1,456,400	14⅛	....
Citicorp	1,368,600	17⅛	- ½
BankAmerica	1,350,200	45⅜	+ ½
Chrysler	1,291,400	17⅞	- ⅛

TRADING ACTIVITY

† Volume Millions	Mar 23	Mar 20	Mar 19
New York SE	155.620	246.710	197.240
Amex	12.917	17.125	23.415
NASDAQ	(u)	191.500	189.966
NYSE			
Issues Traded	2,217	2,243	2,221
Rises	694	927	914
Falls	989	773	774
Unchanged	534	543	533
New Highs	57	92	85
New Lows	26	30	31

CANADA

TORONTO	Mar 23	Mar 20	Mar 19	Mar 18	1992 HIGH	1992 LOW
Metals & Minerals	2988.71	3001.26	2994.50	2986.63	3238.87 (16/1)	2935.22 (2/1)
Composite	3443.70	3469.95	3466.73	3451.86	3666.00 (16/1)	3439.84 (17/3)
MONTREAL Portfolio	1793.35	1808.08	1806.53	1798.39	1937.59 (16/1)	1793.35 (23/3)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ Corrected figure.

	Mar 23	Mar 20	Mar 19	Mar 18	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1586.7	1584.1	1571.4	1568.0	1675.60 (15/1)	1568.00 (18/3)
All Mining (1/1/80)	684.3	687.1	681.3	685.2	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	433.50	437.77	439.62	439.98	685.20 (18/3)	372.24 (2/1)
Traded Index (2/1/91)	1034.99	1046.46	1050.27	1052.35	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1197.00	1200.89	1204.54	1208.26	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	336.89	338.73	338.69	338.84	365.29 (15/1)	336.89 (23/3)
FINLAND						
HEX General (28/12/90)	843.6	861.6	863.0	856.1	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	519.21	520.30	522.36	524.45	534.00 (11/3)	475.53 (2/1)
CAC 40 (31/12/87)	1884.57	1919.12	1921.99	1928.18	1993.88 (10/3)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	699.13	704.44	700.79	704.45	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	1977.3	1992.9	1982.5	1993.9	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1717.47	1736.30	1724.63	1732.18	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5061.14	5015.81	4990.59	5036.07	5071.19 (13/3)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1392.87	1398.22	1395.66	1397.86	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	510.61	511.79	514.34	510.09	551.59 (6/2)	503.28 (17/3)
MIB General (2/1/87)	1007.0	1008.0	1012.0	1007.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	20239.60	(c)	20185.09	19764.31	23801.18 (6/1)	19764.31 (18/3)
Tokyo SE (Topix) (4/1/68)	1459.88	(c)	1451.14	1407.78	1763.43 (6/1)	1407.78 (18/3)
2nd Section (4/1/68)	2137.05	(c)	2126.35	2115.93	2459.85 (6/1)	2115.93 (18/3)
MALAYSIA						
KLSE Composite (4/4/86)	609.33	603.19	597.96	600.40	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	292.9	293.2	292.9	292.6	295.10 (4/3)	274.00 (8/1)
CBS All Shr (End 1983)	205.2	205.9	205.7	305.5	4379.00 (17/3)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	743.56	715.65	713.60	713.63	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1101.79	1120.17	1185.07	1101.27	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	387.34	387.34	386.83	386.71	416.99 (21/1)	384.78 (9/3)
SOUTH AFRICA						
JSE Gold (28/9/78)	1105.04	1129.8	1126.0	1167.0	1327.00 (21/1)	1105.00 (23/3)
JSE Industrial (28/9/78)	4396.04	4412.0	4409.0	4447.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	624.13	615.39	612.67	614.36	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	256.19	258.38	(c)	258.53	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvariden Gen (1/2/37)	1001.6	1009.7	1007.70	1002.50	1009.70 (20/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	808.7	815.8	813.0	808.6	817.50 (4/3)	748.50 (8/1)
SBC General (1/4/87)	640.4	645.8	644.7	640.9	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4685.16	4818.18	4810.23	4851.95	5391.63 (30/1)	4685.16 (23/3)
THAILAND						
Bangok SET (30/4/75)	827.19	814.39	811.78	808.49	827.19 (23/3)	711.81 (3/1)
WORLD						
M.S. Capital Intl (1/1/70) ($)	(u)	492.2*	493.9	491.8	542.10 (7/1)	490.20 (16/3)
Euro Top-100 (26/6/90)	914.98	922.48	923.09	922.82	943.20 (3/3)	870.31 (2/1)

**Saturday March 21: Taiwan Weighted Price: 4745.03. Korea Comp Ex 617.30. ♦ Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 2b Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 23 March 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shizuoka Bank	9.4m	1,170	-30	Nomura Secur ...	4.3m	1,250	+60
Sagami Rail	9.2m	588	+3	Kakan Pharm. ..	4.1m	1,270	-30
Daicel Chemical	6.6m	609	+16	Mitsubishi Heavy	3.3m	593	+9
Shiseido	5.5m	1,660	+20	Mitsui OSK Line .	3.1m	421	-3
Nippon Steel ...	4.5m	322	+12	Hitachi	3.0m	774	+15

4:00 pm prices March 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.3	17	209	15	14⅝	14⅝	-½
26	20⅝	A L Labs A	0.18	0.8	112	90	23⅝	23⅜	23⅝	+¼
68¾	58⅛	AMP Inc	1.52	2.5	24	909	60⅛	59⅞	60	-¼
80¼	68⅝	AMR			27	1855	78½	77⅝	78	-⅞
2⅜	1⅜	ARX			2	186	2	1⅞	2	
53½	43¾	ASA	2.75	6.1	13	103	45⅛	44⅜	44¾	-⅛
66⅜	58¾	Abbott Lab	1.20	2.0	23	2744	61	60	61	+⅜
13⅞	12⅛	Abitibi Pr	0.50	3.6	28	41	13¾	13⅝	13¾	-⅛
11⅝	10⅛	ACM Gvt In x	0.86	8.2		189	10½	d10⅜	10⅜	-⅛
10⅜	9⅛	ACM Gvt Opp x	0.80	8.5		61	9⅜	9¼	9⅜	
9½	8⅝	ACM Gvt Sc	0.80	9.1		152	8⅞	8¾	8¾	-⅛
11⅛	10⅜	ACM Gvt Sc x	0.96	9.4		619	10⅜	10¼	10¼	-¼
9⅜	8⅝	ACM Man x	0.95	10.6		90	9	8⅞	9	
12⅞	10⅞	ACM Mmsec x	1.08	9.7		100	11¼	11⅛	11⅛	-⅛
11⅞	7	Acme Cleve	0.40	3.6	21	356	11½	10⅞	11⅛	-⅛
6¼	4½	Acme Elect			4	24	5¾	5⅝	5⅝	-⅜
33½	18⅞	Acuson			12	2819	20	19⅝	19⅝	-⅛
19½	18½	Adams Expr	0.48	2.5	0	132	19¼	19⅛	19⅛	-⅜
15½	13	Adobe12P1	2.40	16.4		65	14¾	14⅝	14⅝	-¼
5⅜	4½	Adobe Res			2	88	5	5	5	-⅛
49⅛	40⅛	Ad Micro	3.00	6.7		39	44⅝	44¼	44⅝	
21½	16½	Ad Micro P	3.00	16.1	12	1667	18¾	18⅝	18⅝	-⅛
9⅛	5	Advest Grp	0.16	2.2	30	107	7⅜	7⅛	7¼	-⅛
71¾	67⅛	Aegon ADR			6	2	69⅛	69	69⅛	-⅛
47	39	Aetna LI	2.76	6.4	9	1280	43⅞	43¼	43⅜	-⅜
12	8⅞	Aflil A	0.24	2.3	74	385	10⅜	10¼	10⅜	-⅛
32⅞	27⅛	Aflac	0.40	1.4	15	601	27⅝	27½	27½	-⅜
19⅞	15⅝	Ahmanson	0.88	5.6	7	5794	16½	d15⅝	15¾	-¾
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox	3.00	3.9	15	1010	77⅝	76⅝	77⅜	+½
53½	50½	Xerox4.125				z100	52	52	52½	+½
28½	24⅞	Xtra 1.94	1.94	7.0		22	28¼	27½	27½	−½
37	28½	Xtra Corp	0.80	2.2	15	68	36	35⅝	35¾	−⅛
27	25¼	Yankee Egy	1.60	6.0	12	30	26⅝	26⅜	26⅝	+⅛
1½	½	Zapata			34	154	1⅜	1¼	1⅜	
11⅛	7¼	ZenithElec			5	203	9⅝	9⅜	9½	−⅛
17¼	14½	Zenith Nat	1.00	6.1	7	35	16⅝	16⅜	16⅜	
6¾	6	Zenix Inc x	0.85	12.6		97	u6¾	6½	6¾	+⅛
13¾	11⅛	Zero Corp	0.40	3.0	20	146	13⅜	13	13¼	
38	34¼	Zurn Ind x	0.88	2.3	16	435	u38	37½	37⅝	−¼
14⅛	12¾	Zweig Fund	1.16	8.8		230	13⅜	13⅛	13¼	+⅛
11	9⅞	Zweig Totl	0.96	9.1		658	10½	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1. excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year. omitted. deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act. or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices March 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	28	636	26⅜	26¼	26⅜	
Pegasus G	0.10	32	217	12¼	12	12⅛	−⅛
Perini		51	19	13⅞	13⅝	13⅞	
Pet H&P x	0.31	6	5	10⅜	10⅜	10⅜	+⅛
Phil LD x	0.25	13	505	33¼	32½	33	−⅛
Pittway A x	0.70	16	29	30¾	30	30¾	+½
Ply Gem	0.12	27	175	10⅝	10⅜	10⅝	−⅛
PMC	0.64	16	42	10⅝	10⅝	10⅝	
PresidioA	0.10	2	95	2⅞	2⅝	2⅞	
Price Com		0	96	¼	7/32	¼	
RB&W Cp		4	142	4⅛	4⅛	4⅛	
RiedelEnv		2	6	u3⅝	3⅝	3⅝	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Chmbrs A		12	9986	10⅝	10⅛	10⅛	
Chambers		15	674	12⅝	12	12¼	−⅛
Champion		26	117	5¼	5⅛	5⅛	
Gulf Cda	0.35	7	80	3⅞	3 13/16	3⅞	−1/16
Hasbro x	0.09	27	1935	26¼	25½	25⅞	−¼
Odetics A		46	4	6½	6½	6½	
Olsten	0.24	32	435	u30⅞	30⅛	30⅝	+¼
OMI Corp	0.14	7	76	6⅞	6½	6⅝	
Worthen		10	7	21½	21⅜	21⅜	−⅛
Xytronix		19	8	14⅞	14¼	14¾	−¼

NASDAQ NATIONAL MARKET

4:00 pm prices March 23

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wolf Expl		0	64	11/32	5/32	5/16	+1/32
WkExWS3A			15	5/32	1/16	1/32	−5/32
Walagan x	0.48	26	1412	23⅝	23⅛	23¼	−⅝
WPP Group	1.11	1	1456	2 7/16	2⅜	2⅜	−⅛
Wyman-Gdn	0.40	5	842	5⅝	5⅜	5⅝	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	996	29½	28½	28⅞	−⅝
Xoma Corp		12	2659	23¼	22¼	22⅞	+¼
Yellow Fr	0.94	31	618	31	30	30¼	−⅛
York Rsch		40	1162	4⅞	4½	4⅞	
ZionsUtah	1.44	10	193	u49½	48	49⅜	+⅞

AMERICA

Dow eases as investors stay on the sidelines

Wall Street

US SHARE prices eased slightly yesterday as investors and dealers stayed on the sidelines in the absence of fresh economic news and a lead from the bond markets, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average ended 4.25 off at 3,272.14, having spent the entire session trading in a narrow range a few points below last Friday's closing mark.

The Standard & Poor's 500 slipped 1.40 to 409.90, while the Nasdaq composite index of over-the-counter stocks receded 2.45 to 621.83. Turnover on the New York SE was extremely light at 156m shares, and falls led rises by 996 to 684.

The direction of investor sentiment remained uncertain yesterday, although the recent ability of the Dow to hold its own under pressure at the 3,200 level has led some analysts to predict there is enough support for stocks to push the leading index to new highs in coming sessions.

Du Pont gained $1⅛ to $46⅝ in active trading after Donaldson, Lufkin & Jenrett, the brokerage house, raised its valuation of the stock from "moderately attractive" to "very attractive".

Mr William Young, the DLJ chemicals analyst, upgraded Du Pont because he thinks the benefits of recent cost cutting and improved fibre, chemical and automotive markets have brightened the earnings outlook for the company, which he says may increase its annual dividend later in the year.

Phillips Petroleum dipped $⅛ to $23⅞ on reports that its chairman had warned that first-quarter earnings would be "lousy" and that there was little chance of an improvement in net income until the third quarter of this year.

Prices were mixed elsewhere in the oil sector, which has been troubled by low crude oil prices since the end of the Gulf war. Exxon added $⅛ at $55¼.

Harley-Davidson climbed $2⅞ to $62⅞ after Morgan Stanley added the maker of luxury motorcycles to its model portfolio.

Coleman firmed $⅛ to $27¼ after Shearson Lehman Brothers had initiated research coverage of the stock with a prediction of outperformance. The company went public in January for $19.50 a share.

On the over-the-counter market, Intel retreated $1⅜ to $63⅞ in turnover of 2.2m shares as the stock came under selling pressure in the wake of a profile in Barron's magazine which highlighted the increasing competition the company faces.

In the same sector, Apple retraced an early gain to end down $⅛ at $63 after it unveiled new printers and scanners for IBM personal computers.

Canada

TORONTO weakened after reports of debt worries for Olympia & York put pressure on the financial services and the real estate and construction sectors.

The composite index lost 26.3 to finish at 3,443.7, while volume on the exchange totalled 27.1m shares.

The real estate and construction index dropped 33.2 to 6,149.0, with Bramalea and Trizec "A", both O & Y interests, pressuring the sector most. Bramalea fell 15 cents to C$3.75 and Trizec "A" C$⅞ to C$7⅛.

SOUTH AFRICA

JOHANNESBURG was led lower by a stronger financial rand and a weaker gold price. The overall index fell 30 to 3,517 and the gold index dropped 24 to 1,105. The industrial index declined 16 to 4,396.

EUROPE

Weak bonds weigh on continental bourses

WEAK bond markets pushed most bourses lower yesterday, *writes Our Markets Staff.*

FRANKFURT more than wiped out Friday's 11-point gain, which had been generated by the "quadruple witching hour" expiry of options and futures. *Attention returned to* more worrying aspects, such as cautious statements from the corporate sector and rising bond yields, which approached 8.10 per cent at the long end yesterday.

The DAX index ended 18.83 lower at 1,717.47 while the FAZ index, calculated at midsession, fell 5.31 to 699.13. Turn*over fell to DM5.7bn from Fri*day's inflated DM15.7bn.

Most blue chips were lower, though BMW stood out with a *DM1.10 gain to DM561.90, sup*ported by last week's good results. In steels, Thyssen fell DM14.20 to DM218.90 following its chairman's warning that profits this year would be "markedly lower" than last year.

Brokers are divided about Thyssen: County NatWest expects a 30 per cent fall in Thyssen's first half results and is worried by the lack of a dividend guarantee for the current year from the chairman. James Capel, however, says the shares are good for a recovery, since it thinks the company will be a major beneficiary of higher prices for flat steel products.

PARIS fell through the 1,900 support level, pressured by a weaker bond market and the results of the regional elections. Trading was dominated by arbitrage activity, with institutions opting to stay away. This was reflected in the day's moderate turnover of FFr2.4bn, as the CAC-40 index closed down 34.55 or 1.8 per cent to 1,884.57.

Total fell FFr7.70 or 3.4 per cent to FFr222.40 following a wire agency report on Friday that the company's Colombian oil find might be smaller than expected. The company declined to comment, though dealers expect a clarification at Total's analysts' meeting in *two weeks' time.*

Yesterday's suspension of Perrier and Exor came as no surprise, and speculation spilled over from last week that the Agnellis and Nestlé had carved up the mineral water company behind closed doors. There was also talk that Nestlé had lifted its bid for Perrier to FFr1,600 from FFr1,475. Minority shareholders were still in the dark yesterday, *though all should be revealed* at Nestlé's news conference today.

MILAN remained on the sidelines ahead of the general election in April, and corporate results scheduled this week are not expected to provide much direction. The Comit index fell 1.26 to 510.61 in turnover estimated at close to Friday's L68bn.

Friday's news that Total of France was interested in buying some of *Pirelli's diversified* activities lifted the stock by L2 to L1,265, before rising to L1,286 after hours. Olivetti rose L7 to L2,919 ahead of news that it had broadened its collaboration with Canon of Japan.

Shares in the Agnelli group rose on hopes of an amicable settlement with Nestlé over Perrier, with Fiat adding L4 to L4,849. Ifi fell L120 to L12,370 but reached L12,850 later.

In telecoms, Sirti eased L15 to L10,740 on rumours of a scrip issue.

AMSTERDAM weakened in dull trading as the CBS Tendency Index closed 0.8 lower at 125.0 in turnover of Fl 401.6m. The crash in the US of a Fokker aircraft sent the shares down to close Fl 1.00 lower or 3 per cent at Fl 33.40. Elsevier weakened 30 cents to Fl 114.30 following Friday's results which were in line with expectations. Nedlloyd advanced Fl 1.00 or 1.7 per cent to Fl 59.00 having been under pressure last week after a debt-for-equity swap was announced.

ZURICH closed slightly off the day's lows with rising money market rates and a weak bond market keeping activity down. The SMI index fell 18.9 to 1,818.2.

Banks and insurers lost ground: CS Holding bearers fell SFr10 to SFr1,960 and UBS bearers shed SFr30 to SFr3,750. George Fischer bearers closed down SFr15 at SFr1,020 ahead of reporting a dividend cut.

STOCKHOLM declined on profit-taking. The Affärsvärlden General Index ended down 8.1 at 1,001.6 in turnover of SKr594m, down from SKr830m. Volvo B closed up SKr1 at SKr412. Reports that Mr Soeren Gyll, chief executive of Procordia, was to replace Mr Christer Zetterberg as Volvo chief came after the close.

MADRID closed with the general index shedding 2.19 to 256.19.

FT-SE Eurotrack 100 - Mar 23

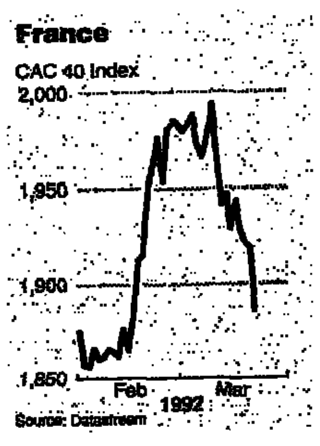
Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1149.85	1149.27	1147.34	1145.94	1145.48	1143.50	1142.20	1142.05

Day's High 1150.13 Day's Low 1141.77

Mar 20	Mar 19	Mar 18	Mar 17	Mar 16
1153.93	1153.18	1153.82	1151.88	1145.61

Base value 1000 (26/10/90)



ASIA PACIFIC

Nikkei loses early gains as hopes for rate cut recede

Tokyo

EARLY gains were lost as hopes of an imminent cut in the official discount rate receded, and the Nikkei average closed only slightly ahead, *writes Emiko Terazono in Tokyo.*

The 225-issue average was finally 54.51 up at 20,239.60, after having risen to a day's high of 20,434.71 on foreign buying in the morning. It fell to the day's low of 20,160.24 as stock index futures weakened in the afternoon.

Volume dropped to 280m shares from 550m, but advances still led declines by 672 to 323 at the close, with 162 issues unchanged. The Topix index of all first section stocks gained a net 8.74 at 1,459.83. In London the ISE/Nikkei 50 index lost 2.23 at 1,135.35.

Shares rose in the morning on continued hopes of an imminent discount rate cut, which had pushed the Nikkei above the psychologically important 20,000 level last Thursday. *However, a rise in the over*night call rate, which is controlled by the Bank of Japan's money market operations, discouraged market participants.

Money supply growth figures for February, which fell to a record low of 1.6 per cent, also restrained investors. Traders said investors linked the weak figures with continued slow economic growth and lower company earnings.

High-technology blue chips rose on bargain hunting by foreigners. Hitachi added Y15 at Y774 and Toshiba Y2 at Y586. Also gaining ground were brokers, Nomura rising Y60 to Y1,250 and Daiwa Y30 to Y900.

Car and related shares were weak on Japan's decision last week to cut its voluntary ceiling on car exports to the US. Toyota Motor shed Y20 to Y1,360 and Nippondenso Y100 to Y1,350. Mitsubishi Motors fell Y92 to Y612 on heavy selling amid rumours that Chrysler, of the US, would liquidate its shareholding in Mitsubishi.

Small-capital component stocks of the Nikkei average, with low liquidity, fell on index-related selling. Godo Shusei lost Y170 to Y1,640 and Daito Woollen Spinning and Weaving Y140 to Y1,560.

A leading Japanese brokerage was seen selling Sankyo, down Y10 at Y3,470, and Takeda Chemical, unchanged at Y1,070. This triggered declines in other pharmaceutical issues.

In Osaka, the OSE average gained 145.01 at 21,896.08 in volume of 561.2m shares. Small-lot buying by foreigners and individuals lifted the index, while volume swelled on cross-trades by companies.

Roundup

PACIFIC RIM markets were generally firmer. Bombay was closed.

HONG KONG opened higher and maintained its strength during the day, the Hang Seng index finishing 45.83 ahead at 5,061.14 in turnover of *HK$2.5bn, after HK$2.7bn.*

Utilities were active: Hong Kong Electric put on 30 cents to HK$16 and China Light and Gas HK$1.75 to HK$32.75. Banks rose moderately, HSBC gaining 25 cents to HK$41.50 and subsidiary Hang Seng Bank appreciating 50 cents to HK$45.25.

Among Properties, Cheung Kong slipped 30 cents to HK$22.90 but Hong Kong Land gained 20 cents to HK$10.70.

SINGAPORE closed mixed with the Straits Times Industrial index just 0.07 up at 1,435.74 in volume of 35.1m shares, against 26.3m.

NatSteel fell 16 cents to S$3.68 after reporting a 30 per cent drop in net profits.

KUALA LUMPUR was led higher by interest in speculative issues and blue chips. The composite index ended 6.14 ahead at 609.33 in turnover of M$162m, up from M$121m.

Telekom Malaysia advanced 20 cents to M$11.80 with 1.55m shares traded.

SEOUL advanced in active trading ahead of today's parliamentary election. The composite index was up 6.83 at 624.13 and turnover came to Won449.7bn, after Saturday's half-day Won372.3bn.

Gains were posted across the board on support from the Securities Market Stabilisation Fund. Particularly strong were issues that have already reported or are expected to announce good 1991 results.

TAIWAN fell further, dragged lower by political worries as the National Assembly started to debate constitutional reforms. The weighted index closed 59.87 or 1.3 per cent down at 4,685.16 in turnover of T$17.26bn (T$14.2bn).

MANILA weakened after Philippine Long Distance Telephone (PLDT) went ground in the US on Friday. The composite index finished 18.38 down at 1,101.79 in turnover of 91m pesos, up from 52m pesos. PLDT fell 15 pesos to 860 pesos.

BANGKOK failed to be influenced by the general election, and the SET index closed at its highest since June last year, registering a rise of 12.80 at 827.19 in turnover of Bt7.1bn.

Investors were said to be buying finance shares, anticipating better than expected first-quarter earnings.

AUSTRALIA moved forward for the third consecutive day and the All Ordinaries index closed 2.6 firmer at 1,586.7 in turnover of A$152m.

News Corporation strengthened 38 cents to A$18.00, but BHP eased 2 cents to A$13.42 and Western Mining receded 5 cents to A$4.81.

NEW ZEALAND drifted through a quiet session and the NZSE-40 index finished the day down 2.51 at 1,436.30 following turnover of NZ$7.9m.

Lion Nathan rose 4 cents to NZ$3.82, but fellow brewer Magnum retreated 3 cents to 99 cents over difficulties in selling part of its retail businesses.

Norway takes heart from good US data

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+1.12	-5.23	-11.26	+14.74	+13.83	+3.82
Belgium	-0.46	+0.81	-0.70	+4.93	+3.75	-5.37
Denmark	-1.01	-4.33	-2.71	-3.70	-4.52	-12.91
Finland	-0.14	-7.85	-20.52	+12.38	+11.73	+1.91
France	-0.97	-1.07	+10.34	+9.19	+8.80	-0.76
Germany	-0.03	+1.00	+7.42	+10.14	+9.27	-0.34
Ireland	-0.81	-2.43	+6.98	+2.25	+2.04	-6.94
Italy	+0.46	-4.04	-10.69	+2.94	+2.90	-6.14
Netherlands	+0.74	+0.63	+10.44	+7.46	+6.67	-2.71
Norway	+4.18	+6.17	-12.06	+5.33	+4.26	-4.91
Spain	-0.85	+0.46	-4.22	+5.71	+5.33	-3.93
Sweden	+3.29	+8.59	-0.68	+12.92	+12.40	+2.52
Switzerland	+3.10	+1.63	+15.42	+9.92	+7.08	-2.34
UK	-0.78	-3.18	-0.37	-0.84	-0.84	-9.56
EUROPE	-0.20	-1.35	+2.56	+4.16	+3.69	-5.42
Australia	-0.10	-2.14	+9.46	-4.95	+4.25	-4.92
Hong Kong	-1.19	+5.60	+38.56	+17.65	+29.56	+18.17
Japan	-0.74	-6.35	-26.04	-15.82	-13.96	-21.53
Malaysia	+0.65	-2.96	-1.69	+7.61	+24.05	+13.14
New Zealand	-0.48	-3.74	+8.99	-5.87	+5.00	-4.24
Singapore	-1.82	-5.41	-0.41	-4.26	+2.14	-6.84
Canada	-0.11	-2.45	-2.44	-1.32	+4.41	-4.78
USA	+1.26	+0.04	+12.63	-1.14	+8.39	-1.14
Mexico	+1.81	-1.14	+143.83	+21.17	+31.96	+20.35
South Africa	+0.56	+0.11	+23.31	+2.70	+0.07	-8.73
WORLD INDEX	+0.27	-2.12	-2.98	-4.00	+0.54	-8.30

† Based on March 20th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By Antonia Sharpe

THE MAIN moves were found in smaller stock markets last week as a rise on Wall Street and weakness in Japan kept the overall global equity performance steady. According to the FT-Actuaries World Indices, the world index rose just 0.27 per cent in local currency terms.

Norway provided the biggest gain on the week, of 4.2 per cent, but Mr Klas Andersson of Goldman Sachs says the stimulus came from good economic data in the US rather than from domestic news. Norsk Hydro led the way with an advance of 6.3 per cent.

The rise in the index was matched by improved volume, thanks partly to a domestic placing. In the first two months of this year, liquidity has been constrained by the lack of big domestic participants, such as the banks which, because of a crisis in the industry, are now mostly state-owned. Uni Storebrand, the insurer, in its pursuit of Skandia, the Swedish insurance group, has also neglected the domestic stock market.

The longer term outlook for Norwegian equities is favourable as the continued fall in inflation prepares the ground for lower domestic interest rates. Cyclical heavyweights are expected to take heart from further signs of recovery in the US. Volatility, however, is likely in the short term, due to the rapid buying and selling by foreign investors as sentiment changes.

Singapore was the worst performer of the week, falling 1.8 per cent in local currency terms. The market fell in tandem with Tokyo last week, but the low volume indicated that there was no large sell-off.

Elsewhere, Mexico recovered 1.8 per cent after falling 5.5 per cent the previous week on investor caution ahead of the share offers in Cemex, Telmex and Banacci, to the tune of $703bn. Latin American Securities says last week's successful placements of Bancomer and Sears show that the market is still thirsty for new paper.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 23 1992							FRIDAY MARCH 20 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	143.94	+0.4	124.43	121.65	124.97	125.84	+0.3	4.38	143.43	124.61	121.54	125.02	125.50	160.31	112.74	133.10
Austria (20)	171.92	-0.6	148.63	145.30	149.27	148.91	-1.1	1.94	172.89	150.21	146.50	150.70	150.55	222.37	153.86	196.92
Belgium (46)	137.58	+0.7	118.94	116.27	119.45	116.38	-0.3	5.12	136.59	118.67	115.73	119.05	116.72	151.20	118.04	140.28
Canada (115)	129.74	-0.0	112.16	109.65	112.64	112.08	-0.5	3.31	129.78	112.76	109.97	113.11	112.63	144.28	126.49	135.52
Denmark (36)	232.71	+0.0	201.17	196.67	202.04	204.86	-0.9	1.78	232.65	202.13	197.14	202.78	206.71	273.94	217.74	243.21
Finland (15)	79.04	-0.6	68.33	66.80	68.62	75.43	-0.9	1.93	79.51	69.07	67.37	69.30	76.09	125.15	73.32	120.12
France (108)	148.06	-0.8	128.00	125.13	128.54	131.52	-1.5	3.42	149.29	129.70	126.50	130.11	133.54	156.43	119.11	137.35
Germany (65)	116.37	-0.5	100.60	98.36	101.03	101.03	-0.9	2.27	116.93	101.59	99.09	101.91	101.91	125.35	94.15	107.86
Hong Kong (55)	210.46	+1.0	181.94	177.87	182.73	209.22	+1.0	3.75	208.41	181.06	176.59	181.66	207.23	210.86	119.62	151.33
Ireland (18)	156.87	-0.4	135.61	132.57	136.19	138.19	-0.1	3.70	156.17	135.68	132.33	136.12	138.35	182.46	132.68	164.96
Italy (77)	70.67	-0.1	61.09	59.72	61.35	66.21	-0.5	3.51	70.76	61.47	59.95	61.67	66.57	88.23	64.76	79.62
Japan (473)	107.11	+0.5	92.59	90.52	93.00	90.52	+0.2	0.94	106.58	92.60	90.31	92.91	90.31	146.97	104.90	139.42
Malaysia (68)	245.97	+1.5	212.63	207.87	213.55	243.74	+0.9	2.59	242.33	210.54	205.33	211.21	241.54	250.18	189.18	238.43
Mexico (18)	1700.74	+1.6	1470.26	1437.36	1476.63	5712.38	+1.9	0.99	1674.32	1454.64	1418.74	1459.36	5604.44	1789.77	534.45	747.68
Netherland (31)	148.63	+0.1	128.49	125.61	129.05	127.53	-0.3	4.34	148.54	129.05	125.87	129.48	127.97	156.48	125.70	137.41
New Zealand (14)	44.91	-0.2	38.83	37.96	39.00	43.38	-0.2	6.33	44.99	39.09	38.13	39.22	43.46	54.64	41.18	44.12
Norway (24)	171.57	+0.9	148.32	145.00	148.96	152.36	-0.1	1.68	170.01	147.70	144.06	148.18	152.47	223.24	157.08	196.74
Singapore (38)	204.51	+0.0	176.88	172.92	177.64	157.23	+0.1	2.19	204.65	177.80	173.41	178.37	157.02	228.43	151.63	197.02
South Africa (61)	228.94	+0.8	197.91	193.48	198.76	176.52	-0.6	2.85	227.17	197.37	192.49	198.00	177.66	271.99	173.00	200.93
Spain (51)	150.87	+0.3	130.25	127.34	130.82	120.08	-0.9	5.01	150.27	130.55	127.33	130.97	121.12	171.12	131.51	161.18
Sweden (25)	185.82	+0.1	160.64	157.05	161.34	166.43	-0.8	2.74	185.71	161.34	157.36	161.87	167.84	204.12	146.60	188.03
Switzerland (59)	97.45	-0.6	84.25	82.37	84.62	91.74	-1.0	2.22	98.02	85.16	83.06	85.45	92.67	104.22	82.17	92.58
United Kingdom (233)	167.32	-0.2	144.64	141.39	145.26	144.64	-0.7	5.15	167.62	145.63	142.02	146.09	145.63	187.44	156.27	173.28
USA (523)	167.51	-0.3	144.81	141.58	145.45	167.51	-0.3	2.92	167.94	145.91	142.31	146.39	167.94	171.66	125.95	149.83
Europe (808)	139.31	-0.3	120.43	117.74	120.96	121.36	-0.8	4.01	139.68	121.35	118.36	121.75	122.35	151.52	125.50	139.28
Nordic (100)	173.64	+0.1	150.11	146.75	150.76	148.79	-0.8	2.18	173.42	150.67	146.95	151.16	149.96	200.81	155.55	183.13
Pacific Basin (717)	111.82	+0.5	96.66	94.50	97.08	95.02	+0.3	1.32	111.25	96.65	94.27	96.96	94.76	145.92	109.69	139.20
Euro-Pacific (1525)	123.06	+0.2	106.38	103.99	106.84	106.14	-0.2	2.53	122.86	106.74	104.10	107.08	106.37	147.66	121.29	139.58
North America (638)	165.13	-0.2	142.75	139.57	143.40	163.74	-0.3	2.94	165.54	143.82	140.29	144.31	164.18	169.69	125.91	148.88
Europe Ex. UK (575)	121.81	-0.3	105.30	102.97	105.78	107.56	-0.9	3.22	122.20	106.17	103.57	106.53	108.55	129.80	103.58	118.67
Pacific Ex. Japan (244)	158.32	+0.7	136.86	133.82	137.47	141.07	+0.6	3.82	157.24	136.61	133.26	137.06	140.25	158.32	111.40	135.63
World Ex. US (1719)	125.49	+0.2	108.48	106.06	108.96	108.43	-0.2	2.65	125.26	108.82	106.15	109.18	108.66	148.16	122.32	140.40
World Ex. UK (2009)	135.98	+0.0	117.55	114.93	118.07	124.80	-0.2	2.42	135.94	118.11	115.20	118.50	125.03	150.58	120.06	139.52
World Ex. So. Af. (2181)	138.13	+0.0	119.41	116.75	119.94	126.24	-0.2	2.70	138.14	120.02	117.07	120.42	126.53	153.05	122.92	142.15
World Ex. Japan (1769)	156.68	-0.2	135.45	132.43	136.06	147.43	-0.4	3.33	156.95	136.35	133.00	136.82	148.02	161.90	126.69	145.52
The World Index (2242)	138.72	+0.0	119.92	117.24	120.45	126.70	-0.2	2.70	138.71	120.51	117.54	120.91	126.99	153.70	123.28	142.51